

THE INDONESIAN QUARTERLY

Indonesia: Ready for Take Off

- Current Events
- Indonesia's Post Cold War Foreign Policy
- The Archipelagic State and the Full Recognition of Indonesian National Independence
- Capital Mobility: The Case of Indonesia
- Indonesian Pension Funds: An Analysis of Their Establishment and Fund Raising Institutions
- Planning and Management for Coastal Eco-Tourism in Indonesia: A Regional Perspective
- The Kampuchean Crisis and Indonesia
- The Diversity of Cultures in Irian Jaya
- Book Review



The Quarterly

The Indonesian Quarterly is a journal of policy oriented studies published by the Centre for Strategic and International Studies (CSIS), Jalan Tanah Abang III/23-27, Jakarta 10160. It is a medium for research findings, evaluations and views of scholars, statesmen and thinkers on the Indonesian situation and its problems. It is also a medium for Indonesian views on regional and global problems. The opinions expressed in *The Indonesian Quarterly* are those of their authors and do not necessarily reflect the opinion of the CSIS.

The Logo



To better represent the underlying ideas that gave birth to the CSIS in 1971 the Centre uses as of 1989 the logo that figures on the front cover of this journal. The original, in bronze, designed by G. Sidhartha, it consists of a disc with an engraving that depicts the globe which serves as a background to a naked man with an open book laid on a cloth over his lap, his left hand pointing into the book, his right hand raised upwards. Altogether it symbolises the Centre's nature as an institution where people think, learn and communicate their knowledge to whoever are interested, to share it with them, mankind the world over being their concern and the globe their horizon. The nakedness symbolises the open-mindedness, the absence of prejudice, in the attitude of the scholars who work with the Centre, just as it is with scholars everywhere. The inscription reads "*Nalar Ajar Terusan Budi*," which in the Javanese language essentially means that to think and to share knowledge are only the natural consequence of an enlightened mind. It is a *surya sengkala*, that is *chandra sengkala*, a Javanese traditional way to symbolise a memorable year in the lunar calendar, adapted to the solar calendar system. It consists in using words that express the perceived meaning of the commemorated year while marking the year at the same time, each word having a numerical value. Thus, the inscription, in reverse order, represents the year the CSIS was established: 1971.

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Current Events

The Succession Issue

J. Soedjati Djiwandono

SUCCESION has been a public issue in Indonesia especially since the last two general elections. Time and again, President Soeharto's view in this respect has been expressed to the effect that succession is not a problem, since there is already a mechanism for this, i.e. through the People's Consultative Assembly (MPR), which has the authority to elect a president.

The fact remains, however, that we have as yet no tradition of a peaceful change of leadership nor a mechanism for such a change. There are at least two major factors that have given rise to the issue. Pretending not to see the problem, is to adopt an "ostrich approach" which will not help to find its solution.

Firstly, the issue has arisen out of the fact that since independence almost half a century ago, we have had only two presidents. This means that up to now there has been only one succession of national leadership, and that did not proceed in a peaceful and

proper manner. General Soeharto was elected president in a critical situation, which was the aftermath of the abortive Communist Coup (PKI). He came up as saviour of the nation from the danger of a national disaster.

From the formal constitutional point of view, General Soeharto's election as president was legal, because he was elected by the Provisional MPR (MPRS). Whether the members of the MPRS that had not been democratically elected but personally appointed by President Soekarno, had the right to elect a president may be debatable. But it is almost certain that President Soeharto's election by the MPRS at that time had the support of a large majority of the Indonesian people.

Nevertheless, it seems that in a sense the succession did not proceed normally as mentioned earlier. At that time President Soekarno was still alive and well, and was undoubtedly not ready to be succeeded despite

indications of his implications in the coup attempt. President Soekarno was never brought to trial until his death in 1970. In other words, General Soeharto's election as president by the MPRS was definitely not the beginning of a tradition of peaceful change of leadership. And no mechanism has been in place for that purpose.

Thus, *secondly*, there is reason to worry about the possibility that the next leadership succession would proceed through another political upheaval, which would be a great setback for the nation. Thus, the main concern is not with President Soeharto personally, but the future of the Indonesian nation. That is why, the statement made by President Soeharto recently that one need not make a fuss about the issue of succession, because he has no ambition to become a lifelong president, does not seem relevant and will not remove the apprehension, nor will it eliminate the succession issue. The presidency, whatever its tenure, be it lifelong or not, is bound to end. This is part of the nature of things.

Then what? This is the heart of the matter! Saying that it is up to the MPR which has the authority to elect a new president, will not help overcome the general apprehension, since the election of a new president by the MPR would be without proper preparations. No candidates have been prepared or groomed.

In the United States, for example, even before the presidency was limited to two terms, theoretically one could become a lifelong president, provided that one could continually win the nomination by one's party as well as the presidential election (President D. Franklin Roosevelt was elected president for four terms, and died before completing

his fourth term). However, at least in each presidential election, he would be challenged by the candidate of the other party. This means that more than one party had always been ready with their respective candidates, so that every general election was a potential succession of leadership in a peaceful manner. Today with the limited presidential terms of office, the succession mechanism has become more established.

In the UK, there is no such limitation as in the USA. Accordingly, theoretically one may become a lifelong prime minister provided one is able to maintain one's leadership position in the party and continuously win the elections. However, the preparation of a future prime minister is more rigorous than in the case of an American president, on account of the parliamentary system with its opposition as an established institution in parliament. The leader of the opposition party always serves as the alternative candidate for the prime ministership, with the opportunity in every election to challenge and succeed the incumbent prime minister. Although there is no limitation to the prime minister's tenure like in the USA, in the UK every general election is an opportunity for a possible peaceful succession of national leadership.

In Indonesia, there is no opposition in its political system, and the general election is not a presidential election. Consequently, the general election is never an opportunity for a succession of national leadership, because the political parties do not commit themselves to nominating a candidate for the presidency in the campaign before general elections. Since the MPR alone has the power to elect a president, theoretically the winning political party as a single majority will decide the election of a president. How-

ever, it is hard to say that the decision made by the party with the single majority is supported by the majority of the people, since the choice of the candidate has not been made before general election. And it is not clear how the nomination and election of the president by the MPR would proceed, in the event that one day there would be no single majority.

Accordingly, since only the MPR has the power to elect a president, the support of voters for the political parties as the Golkar (Functional Group), at least in terms of the presidential nomination and election, amounts to a *carte blanche*. This is perhaps one of the factors that gives rise to the feeling of uncertainty concerning the succession issue.

It is to be stressed again that the succession issue does not concern President Soeharto personally. Not infrequently the impression is created that the succession issue were primarily caused by President Soeharto's successive terms, while he never shows any sign of stepping down. The explanation given by President Soeharto himself in response to the succession issue gave the very impression. But surely, the idea of limiting the presidential terms of office would not apply to him, since at the time when the idea was launched for the first time, he had been elected President more than twice. That idea refers to the future presidency.

However, even if the linkage with President Soeharto were true, that is, if part of the "fault" is to be ascribed to him, it should be noted that he never expresses his wish to be elected, let alone to be repeatedly elected president, and to campaign for that purpose. This means that even if the repeated election of President Soeharto should be regarded as improper, the main responsi-

bility has been in the hands of the MPR, which may not "dare" (Javanese: *pakewuh*), whatever the reasons may be, to nominate another candidate. This is virtually the main responsibility of the party occupying the position of a single majority (the Golkar). However, even this is a moot point, since it has happened that prior to that, a minority political party had nominated President Soeharto.

Hence, the problem of succession has emerged not only because of the unavailability of the necessary mechanism. It is also due to the absence of the tradition of a leadership succession in a peaceful manner. The people as a whole, particularly their representatives in political organisations and in the MPR, are not as yet accustomed to having more than one candidate, as long as the incumbent is still around. This reluctance is even stronger when the existing president is such a strong leader like President Soeharto, who, as mentioned earlier, had saved the nation from the abortive coup of PKI (*Gestapu*), the turmoil that had given birth to such a leader.

The Indonesian people are not as yet accustomed to a peaceful change of leadership. And this is reflected in the stand taken by the People's Consultative Assembly (MPR) which represents the people. Nor is any leader in this country accustomed to openly run for the Presidency, let alone along with other candidates. Running for the Vice-Presidency as Mr. Naro did in 1988 was a novelty, which, in part may be regarded as a democratic progress.

Furthermore, to resign from office has not become part of our tradition. In fact, never to resign has become our "culture" according to Prof. Dr. Suhardiman (Vice-Chairman of DPA = Supreme Advisory

Council) referring to Admiral (ret.) Sudomo (Chairman of DPA). This is questionable. One may also question as to whether such "culture" needs to be preserved as suggested by Suhardiman. However, this problem is beyond the scope of this discussion.

What are the possible implications of the foregoing discussion? For the time being, we cannot as yet expect that someone will openly run for the presidency and campaign to this end, as long as there is already a candidate, especially if the candidate is the incumbent president. We cannot also expect that a president will step down, which in the context of our culture may be regarded as running away from one's responsibility.

This means that the initial tradition of a peaceful change of leadership and the development of the necessary mechanism should become the responsibility primarily of the MPR. And one way is an MPR decree on the limit of number of the presidential terms of office, for instance, not more than two con-

secutive terms. Perhaps this mechanism needs to be complemented with a commitment of the political parties to nominate their respective candidates for the presidency in the campaign before general elections.

In other words, the initiative should come from the MPR, meaning also the political parties and the Golkar. It will not be easy to expect a legislation on the presidency, since the legislative power is vested in the president and it does not seem easy for the DPR to initiate a bill.

One should keep in mind that there is a possibility that without setting a limit to the presidential terms of office, and due to the strong position of the executive body according to the 1945 Constitution, a president will be able to make political manoeuvres so as to be elected again and again, even without running for the office openly and campaigning for it. This will provide greater opportunities for abuse of power that will be to the detriment of the nation.

Succession in the Historical Perspective*

Ongbokham

AS a rule I do not like to use the words "Historical Perspective" as the title above, because I am a historian. However, I shall use the words in the ti-

tle of this essay, because that is the most appropriate title. The reason is, it is exactly the history of succession in Indonesia that has given rise to people's apprehension.

*Translated from the Indonesian version entitled "Suksesi dalam Perspektif Sejarah", published in the *TEMPO* weekly, 23 April 1994.

In fact the first succession experienced by my generation happened in March 1942,

namely when the Netherlands Indies government was replaced by the Japanese occupation government. This event did not happen out of the blue. Since the emergence of the aggressive German Nazi and Japan began to launch its aggression in China, the threat was also facing the *status quo* of the colonial powers in Asia. In the face of the international upheaval, the Netherlands Indies government closed its eyes as it were. Not even one single concession was given to the demands neither from within i.e. the *Volksraad* (parliament) nor from without -- the national movement. The colonial stability and *status quo* was even emphasised when the Netherlands was occupied by the Germans (May 1940) and Japan had been immediately threatening the Netherlands Indies.

As a consequence, in March 1942, the Japanese soldiers were enthusiastically welcomed by the Indonesian population. It was unexpected that political, economic, social stability and the like had been disrupted thereafter for 30 years (it only ameliorated after the oil boom in the 1970s). It seldom happened in history that a society experienced such a long crisis. In Asia only China, Vietnam and Indonesia have experienced a crisis and depression for more than one generation (25 years).

The year 1942 also witnessed the first succession after more than 100 years in Java and other parts of this Indonesian Archipelago. The change of regimes was accompanied by bloody violence. Violence that happened on account of the victory of the Japanese troops over KNIL (the colonial soldiers of the Netherlands Indies) or owing to the vacuum of power that had emerged before the Japanese troops invaded the cit-

ies. The rich were looted by the poor.

In August 1945, there was a vacuum of power again. Japan surrendered to the Allied Forces, and the greatest part of Indonesia, including the island of Java, was still being occupied. The Allied Forces, let alone the Dutch, were not yet ready to replace the Japanese forces. The Republic of Indonesia that was proclaimed on 17 August 1945 had not yet consolidated its power. The institution called "state" according to historians, disintegrated or was in a critical situation. The history 50 years later is that of gradual restoration of this institutional state to a dominant position in society. Automatically the emergence of this modern state was a Netherlands Indies created in the conception of Marshall H.W. Daendels (Governor General in 1810), modelled after the French creation of Napoleon. It was the first modern state in Asia.

The transition in the late 1950s from parliamentary to guided democracy (1945 Constitution) was not accompanied by a vacuum of power, but by a political rift which resulted in civil war. The shift of Indonesia's politics to the left was one of its characteristics.

The year 1965 was the year of the fall of Soekarno's power who could not control the power of his surroundings. The Communist (PKI) Coup (G30S/PKI) and the dissolved political alliances contributed to Soekarno's downfall. In short, Soekarno's downfall resulted in a vacuum of power. Social conflicts were solved in a bloody manner. The emerging political forces also contributed to this purge. The New Order would not have become as strong as it is now without society taking part. The leftist group could not be eradicated so rapidly without

people's participation.

Whatever the condition, in 1965/1966 the national tragedy happened at the expense of so many lives. The tragedy could be predicted and anticipated by Soekarno's illness and the escalation of political rivalries owing to the end of his regime (for example, between the military and PKI). However, not a single policy or measure whatsoever had been taken to prevent it. Was Soekarno's fate not similar to that of the Netherlands Indies who closed its eyes right before its downfall, namely before Indonesia's independence?

How did the succession proceed prior to 1942? We notice, for example, that the succession had happened since 1830 during the colonial era. The succession of a governor general wellknown for his politics, namely Van Heuts, for the Aceh War and its expansion (1904-1909), and the like. The succession among Indonesian Kings such as happening at the Keraton (royal palace) of Solo, Yogya, Deli, Serdang, and Pontianak was arranged and organised by the Dutch within the limits of the custom (*adat*). The successions proceeded smoothly because they were prepared on the basis of rational considerations which undoubtedly were to the advantage of the Dutch, namely stability, security, and the like.

How were the successions before Dutch colonisation? They were rather chaotic. For example, those happening in Banten, Mataram, Banjarmasin, Pontianak, Deli, Yogyakarta, or Surakarta. The colonialism was

precisely introduced due to the problem of succession. There was in fact no *divide et impera* policy (by sowing discord in order to rule) on the part of the Dutch. Indonesia's socio-political unity became divided, so that there was no need for a *divide et impera* policy by the Dutch at that time.

The conception of succession among those kings was not to be separated from divine revelation that came down to the new ruler. But, who could know that the revelation came down to someone among so many people? This means that there were no legal or illegal preparations made by the potential ruler.

On the other hand, positions in Indonesia frequently depend on the person who assumed that position. Usually he is a strong person and his rule is longstanding. By the time when he leaves his post, there is usually a vacuum of power. And I believe that a vacuum of power often happens in Indonesia, be it related to government position, bureaucracy, or the private sector. The problem is that in order for the position to take root, a reform of political system and structure is called for, so as to avoid facing the same succession problem again.

In other words, it is possible that the third President and the following will no longer be a *Bapak Pembangunan* (Father of Development) or a founding father of the Indonesian state as the previous ones. I think that they will not hold out for the third term of office. This means, let just common people come to the fore.

Regional Peacekeeping: ASEAN's Role and Contribution*

Jusuf Wanandi and A.K.P. Mochtan

Introduction

There is a convergence of views that the Agenda for Peace (AFP) is not incompatible with ASEAN's principle objectives. The initiatives and mechanisms that have been pursued and established by the ASEAN countries are proofs of ASEAN's longstanding commitment and contributions toward preventive diplomacy and the promotion of peace and security in Southeast Asia region.

The question is: how can ASEAN's priorities and initiatives be coordinated with those of the United Nations? Noting the increased expectations over the world organisation's leadership to maintain global peace and order, how may we utilise, or adopt, existing processes and mechanisms to be directly relevant and of practical use to the UN's renewed security and peacekeeping functions? In other words, beyond aspiring for a "Regional Resilience", how can ASEAN's term of "Cooperative Security" be expanded to enhance the UN's role in maintaining, restoring, and if necessary, enforcing, peace?

*Paper presented at the Third Workshop on ASEAN-UN Cooperation in Peace and Preventive Diplomacy: International Studies Centre, Institute of Foreign Affairs, Bangkok, 17-18 February, 1994.

Rationales for ASEAN's Contribution

1. Containing Changes and Uncertain Strategic Trends in the Asia Pacific Region

The creation of a peaceful, free, and neutral Southeast Asia is of ultimate interest to ASEAN. Encouraging signs toward such direction is gradually evolving, notably with the termination of conflict in Cambodia, and also the recent accessions of Vietnam and Laos to ASEAN's Treaty of Amity and Cooperation (TAC). Overall, however, uncertainties and other sources of potential threats still loom large.

In the first place, the strategic environment in the wider Asia Pacific region itself is undergoing significant changes. Southeast Asia had benefitted from the demise of the Cold War. But, a new strategic order is yet to emerge and guide the future course of events in the region. So far, the dominant trends that we are witnessing, e.g. the reduced presence of the US military personnel and facilities, modernisation of PRC's military, Japan's increasingly active political and security roles and its thorny relations with Russia over the Kurile islands, as well as the nuclear issue in North Korea, do not provide much assurance for a smooth and peace-

ful transition.

Unresolved territorial claims and border disputes among some members of ASEAN, and also with other countries, is another potentially volatile issue still lingering on within the region. The overlapping claims over Sabah, Batu Putih, Sipadan and Ligitan, and especially those over the six groups of islands in the South China Sea constitute serious political irritants that may undermine ASEAN's cohesiveness. The fact that the conflicting claims are directly related to sovereignties and territorial integrities of the contending parties suggest they will continue to persist for quite some time and, the case of the South China Sea claims in particular, may become a dangerous time-bomb in the region.

Within the region still, other "new" sources of potential threats, such as piracies, smuggling, drug-traffickings and illegal border crossings are fastly emerging. Left unchecked, all these could threaten the safety and well-beings of the ASEAN peoples, at the same time undermine the authorities of the governments.

For the above "regional reasons" alone, the urgency for ASEAN to enhance its preventive diplomacy and conflict resolution management is irrefutable. ASEAN cannot take any chances and simply leave the uncertainties to develop at their own courses. For its own survival, there is no choice for ASEAN but to continue constructively engaging these otherwise potentially explosive issues.

2. *Complying to the UN's Requests*

Beyond fulfilling regional interests, ASEAN's initiative to re-invigorate its peace-

making and peace-maintenance capabilities should complement and coincide well with the formal invitations extended both by the Security Council and Secretary General of the United Nations to international organisations or arrangements, including ASEAN, to take more active role in maintaining international peace and security.

Indeed, such coordination and cooperation with the UN is not new. ASEAN had participated and critically contributed to the successful UN's mission and termination of conflict in Cambodia. There is no reason why such excellent cooperation should not be continued, in fact further expanded, particularly when we all know that the UN's capacities and capabilities in maintaining international peace and security are being stretched out beyond its limits due to the unprecedentedly vast number of hot-spots and other urgent calls to other parts of the world. By cooperating and coordinating closely, both the UN and ASEAN will benefit from the comparative advantages of each organisation and therefore enhance the effectiveness of their peacemaking campaigns. Specifically for ASEAN, the cooperation with the UN is important, in fact necessary, to ensure its neutrality because some of the issues, e.g. the Spratlys, do involve members of the association.

3. *Peacekeeping as a Means to Enhance Regional Security Cooperation*

The quasi-military nature of peacekeeping operations should be an interesting challenge, at the same time rewarding incentive for contributing countries to send

their troops. In addition, the multi-national character of peacekeeping would provide an opportunity for international military cooperation.

In the case of ASEAN, joint action in peacekeeping will be significant in terms of expanding and expediting existing military cooperation. To date, ASEAN's defence and military cooperation and coordination are limited to bi-lateral or tri-lateral exercises. The forum, mechanism and justifications for a full intra-ASEAN defence cooperation are yet to be defined. In this context, joint participation in peacekeeping, namely through the creation of an ASEAN Peacekeeping Forces/Contingent, promises to be the ideal solution as it offers all the necessary legitimations.

First, the UN-umbrella should ensure others in the region that ASEAN is not forming or turning itself into a military pact. Second, the goals and objectives of peacekeeping missions, i.e. to promote and maintain peace, should ensure that ASEAN's increased military cooperation is not directed against a particular enemy, but for peaceful purposes.

Finally, ASEAN's joint endeavours in peacekeeping exercises and actual field missions will directly and substantially contribute to promote confidence building measures, at the same time facilitating interoperability among ASEAN's militaries.

Principles and Mechanisms for ASEAN's Contribution and Participation

Having spelt out the imperatives and rationales, the next task for ASEAN is to iden-

tify the ways and means to promote and enhance its preventive diplomacy and regional peacekeeping roles and functions. The political framework and legitimacy for this purpose are now firmly in place. The ASEAN Heads of States had decided during the Fourth ASEAN Summit (Singapore, January 1992) that security cooperation is to be given high priority in ASEAN's new agenda. Prior to this, ASEAN's defence and security military cooperation had been rather limited as the focus of its functional cooperation had necessarily concentrated on other spheres of activities, namely economic and political cooperation. With this new assertion and emphasis on security cooperation, ASEAN is now ready to embark on relevant programmes and activities. To this end, some fundamental issues and principles that ASEAN needs to take up in materialising such intention are discussed below:

1. Peacekeeping as the Corner-Stone of ASEAN's Defence and Military Cooperation

As a starting point, ASEAN may find it useful and practical to begin with considering peacekeeping as one of the corner-stones of its defence and military cooperation. So far, ASEAN still lacks a clear terms of reference that would guide and integrate the defence and military cooperation among its members. The bigger ideals of ZOPFAN and SEA-NWFZ are of course relevant and indispensable. However, they constitute more as political concepts, rather than a practical, readily operationable, defence and military terms. By subscribing to peacekeeping, ASEAN will have clear, unifying, defence and military objectives.

2. Establishing Common Perceptions and Operation Procedures

Having accepted peacekeeping as the common objective, ASEAN can now proceed to identify the areas of priorities in its defence and military cooperation. Here, the need to have a common perceptions and operation procedures will be of immediate importance. Peacekeeping, in principle, is a peaceful political and military intervention to pre-empt conflict from escalating. Hence, it is fundamental to emphasise the preventive, non-combatant and neutral characters of peacekeeping operations.

Of course, the UN has established a clear and precise code of conducts and rules of engagements for the peacekeepers. However, actual situation in the field, as exemplified from the operation in Somalia or Bosnia, sometimes hampers the principles from being fully implemented. Subsequently, soldiers in a mission area are often forced to resort to different rules of engagements in order to adjust themselves to the prevailing condition.

For this purpose, experience sharing among members of ASEAN will be highly useful and instrumental to a successful participation. Indonesia and Malaysia are regular members of the UN peacekeeping forces, while the Philippines, Singapore and Thailand are actively involved in the more recent operations. The sharing of experiences among these countries will help not only in ensuring the formation of a well-informed ASEAN peacekeeping contingent, but also lead to better preparation and planning of the ASEAN Peacekeeping Forces as a whole.

3. Ensuring Neutrality: Coordination and Cooperation with Non-ASEAN Countries

One of the encouraging trends in Asia Pacific region is the active participation of other, non-ASEAN, countries in UN peacekeeping operations. Australia, New Zealand, and even Japan, are significantly contributing and highly committed to assist the United Nations in fulfilling its mandate of maintaining international peace and security. Aside from these countries, traditionally active peacekeeping contributors, like Fiji, continue to extend their excellent cooperation.

ASEAN should make use of this encouraging situation and seek the full cooperation and coordination with these countries. Aside from enlarging and strengthening the number of the whole Asia-Pacific peacekeeping contingent and ensuring its neutrality, the inclusion and joint participation of these non-ASEAN military contingents would also help to promote confidence building measures in the wider Asia Pacific region. To this end, it is absolutely essential that ASEAN remains inclusive in its peacekeeping endeavours and constantly solicits the close cooperation of other countries in the region.

4. Coordination with the United Nations

Equally important for ASEAN is to establish clear and practical working relations with the United Nations. As stipulated in Articles 53 and 54 of the UN Charter, the authority to undertake actions rests with the Security Council. The working mechanisms for this purpose, however, are yet to be identified.

As an interim arrangement, ASEAN may consider inviting the designated Secretary General's Special Representative (e.g. the Under-Secretary General for Peacekeeping Operations or Political Affairs, or any other Heads of Agencies -- UNHCR, WHO, ESCAP, etc. -- when warranted by the urgency of the specific case) as an observer to ASEAN's PMC and/or ARF. A precedent had been set up during the peace process that led to the termination of conflict in Cambodia. This mechanism had proved to be highly useful and therefore should continue to be utilised.

In the long run, ASEAN should strive to establish a more permanent arrangement, including securing direct accesses to the Secretary General and the Security Council. This issue is crucial because it will directly relate to the chain of commands. Failure in securing a clear working relationship may therefore seriously undermine effectiveness of the whole forces.

Another important issue that needs to be worked out closely with the UN relates to the financial aspects of peacekeeping. Ideally, ASEAN should be able to be self-sufficient, both financially as well as in terms of military equipments. However, such ideal situation may not always exist and therefore a clear understanding and arrangements will have to be first secured well in advance so that the deployment of the peacekeepers will not be hindered due to the lack or unavailability of funds or equipments.

Another alternative arrangement that ASEAN may consider related to financing of regional peacekeeping activities is through cost-sharing. ASEAN should seek the cooperation of Australia, New Zealand, Japan, and other countries in the region not only in

technical fields but also for the purpose of setting up a contingency fund. The fund will be particularly important to allow for an expeditious start-up or initial deployment of the peacekeepers, which is often crucial to the overall success of the mission. At the same time, it will give the UN time to secure and work on the details of the financial arrangements.

Peacekeeping Centre: The Structure and Modalities for ASEAN's Regional Peacekeeping Roles and Functions

To be able to fully implement its peacekeeping roles and functions as conceived above, it is necessary that ASEAN establishes a Regional, ASEAN, Peacekeeping Centre. The current structures and mechanisms, e.g. ASEAN SOMs, PMC, ARF, and Secretariat, are insufficient to allow ASEAN to fully engage and develop defence and military cooperation in a comprehensive and integrated manner. All these mechanisms and structures would serve their purposes well in the field of enhancing political cooperation, but lacks the focus and details to promote defence cooperation.

The preparation for and management of ASEAN Peacekeeping Forces is a serious undertaking that requires thoroughness and specialised expertise. ASEAN's credibility and professionalism are directly at stake. All these, obviously, cannot be simply left to the discretion of an ad-hoc and general working group committee, but have to be handled professionally and sophisticatedly. It is precisely for this purpose that ASEAN Peacekeeping Centre is dedicated to.

By establishing a Peacekeeping Centre, to be staffed by experienced military personnel and other defence specialists, ASEAN will be able to prepare and develop systematic training programmes and exercises based on actual needs and appropriate curricula. In addition to this, the Peacekeeping Centre can also serve as a crisis management centre that will monitor and provide the necessary early warnings to potential areas of conflict, be that stemming from territorial disputes, ethnic and religious tensions, or economic discrepancies.

The Peacekeeping Centre does not require much to be fully operational. At the heart of the Peacekeeping Centre is regional information cooperation, i.e. exchanges and joint analyses, specifically in military and intelligence reports. In other words, the Centre will be a relatively small, highly powered, set-up.

The Peacekeeping Centre may cater to undertake special inhouse trainings to senior military officers, but the bulk of the trainings for the peacekeepers or other form of joint military exercises for the purposes of peacekeeping, may be delegated and under-

taken by the respective national contingents following a common curricula developed by the Centre. Should the need arise, the joint trainings may be carried out using the available facilities in the ASEAN countries, with the Peacekeeping Centre providing competent instructors.

The Peacekeeping Centre will also be an important focal point to facilitate cooperation and coordination with other countries, and international organisations. Australia has established a peacekeeping training centre, while the Nordic countries and Canada have established their training centres earlier. By having a centralised Peacekeeping Centre, ASEAN can tap on the experience and expertise of these other countries in a much more integrated way.

To date, members of ASEAN countries have already established bilateral or trilateral intelligence networkings. Hence, the basic structures or foundations for the Peacekeeping Centre are actually well in place. The next step to be pursued is simply to expand and strengthen these existing pillars.

Indonesia's Post Cold War Foreign Policy*

J. Soedjati Djiwandono

ALTHOUGH undeniably the whole world had hoped for the termination of the Cold War, perhaps few anticipated that it would occur so suddenly, in terms of its speed and manner as well as its direct causes. Consequently, at the time when it happened, maybe most countries were ill-prepared to face the development.

No doubt every country is aware of the possibility of new chances and challenges, which call for new approaches and policies. However, it may be difficult to get rid of old and conventional concepts and ways of thinking that have grown and developed with and out of the Cold War pattern. These concepts and ways of thinking may no longer be appropriate or relevant to changes with their inherent uncertainties.

Hence, a question may be raised if a review or revision is required of the "doctrine" or basic conception which has so far

served as a foundation for Indonesia's foreign policy in the face of the post Cold War global political constellation. Are new priorities and even a new style in the conduct of foreign policy necessary? How should the country's foreign policy be pursued in light of globalisation with its various possible implications for domestic politics, such as those related to the ever increasing demand for democratisation and implementation of human rights in general?

The Cold War has to a large extent contributed to the course and foundation of Indonesia's foreign policy. The independent and active principle has always been the foundation of Indonesia's foreign policy, which was partly determined by the Cold War polarisation which had emerged in the wake of Indonesia's independence. Similarly, the Non-Aligned Movement was partly a product of the bipolarisation of the Cold War.

Thus Indonesia's foreign policy principle should be reexamined more carefully, before we rush to question the relevance and use

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fulness of the principle in the face of new developments. Only in this way can we make a basic evaluation of Indonesia's foreign policy. That is the intent of this short article.

Free and Independent

We should properly understand the term "non-aligned". The Non-Aligned Movement (NAM) appears to become the focus of Indonesia's foreign policy conduct at present, especially since Indonesia's turn to chair the NAM and thus to host the Tenth NAM Summit Meeting in Jakarta in September 1992. We have to distinguish *non-alignment as foreign policy principle* and *non-alignment as a global movement*.

Many political observers, especially foreign ones, often refer to Indonesia's foreign policy as *non-aligned*, although Indonesia has always been consistent in calling its foreign policy independent and active. And in this regard observers often label Indonesia as a non-aligned country.

There has been so far no objection on the part of Indonesia, official or otherwise, against both designations, especially the latter. Indonesia has indeed been a member of NAM from the beginning. The country has even been widely recognised, rightly or wrongly,¹ as one of the founders of NAM. Without the intention of being fussy or hair-splitting, if what we need is a "basic evaluation", an accurate understanding of some concepts and terminologies seems necessary.

¹This is a myth. J. Soedjati Djiwandono, "Gerakan Nonblok Pasca Perang Dingin", paper presented at the Seminar on *The Non-Aligned Movement Entering the Post Cold War Era*, held by the Students Corps of International Relations, Gajah Mada University, Yogyakarta, on 2 May 1992.

As a foreign policy principle, *non-alignment* was for the first time formulated by then Prime Minister Nehru of India in 1946.²

In this regard it is worth noting that the Cold War is usually considered to have officially started with the establishment of the *Cominform* in September 1947, when the Soviet Union through Zhdanov's speech launched the *two-camp doctrine*. Accordingly, aside from the effect of the Cold War bipolarisation, *non-alignment* policy is essentially an expression or reflection of the desire to conduct an independent foreign policy in assessing international issues, free from the influence of other countries, especially the major powers.

However, as is the case with Indonesia's foreign policy, which is officially designated as independent and active, as will be further discussed later, a free or independent foreign policy, which later on was adopted by many African and Asian countries that obtained their independence after World War II, has various underlying motives and backgrounds.

That is why there is a variety of terms and definitions to express such a foreign policy, such as neutral, neutralist, uncommitted, non-aligned, and independent, aside from "independent and active" that we use. Nevertheless, their essence is basically the same, namely to serve national interests as perceived by each country pursuing that policy.

As for Indonesia, the adoption of independent and active foreign policy officially began with the statement made by then Prime Minister Moh. Hatta (*Bung Hatta*)

²G.H. Jansen, *Afro-Asia and Non-Alignment* (London: Faber and Faber, 1966), 116-117.

before BPKNIP (Working Committee of Central National Committee of Indonesia, forerunner of the present People's Consultative Assembly, MPR) in Yogyakarta on 2 September 1948. The statement, which particularly concerned Indonesia's foreign policy, was made in response to the advocacy of the communists, who were united in *Front Demokrasi Rakyat* (People's Democratic Front), to side with the Soviet Union in the conflict that had emerged between that country and the USA. It is in that sense that the independent and active foreign policy is a product of the Cold War. Said *Bung Hatta*, among other things:

... should we Indonesians, who have fought for the independence, only choose between pro-Soviet Union and pro-America? Is there no other position that we can take in striving after our ideals? ...

It is true that in any politics in order to become a strong country, we should exploit the prevailing international situation to obtain our own national goal ...³

However, in another equally important sense, Indonesia's foreign policy is independent as defined by Bung Hatta as follows:

... The stand that we should take is to avoid being an object in an international political conflict, but we should remain a subject with the right to determine our own position, the right to fight for our own cause ...⁴

More important and even more relevant in this case is the concept of the independent foreign policy as a policy that relies on our own strength, or as we put it in our own terminology "*kemandirian*" (self-reliance). Said Bung Hatta in this respect:

Our struggle has to be based on our old motto: to

rely on ourselves and to fight on the basis of our own capability. It does not follow that we will not benefit from international conflicts ...⁵

A few years later, although not in his capacity as Prime Minister, Bung Hatta further expounded the objectives to be attained through an independent and active foreign policy which he put it as follows: (a) to defend the freedom of the people and guard the safety of the state; (b) to obtain from overseas those articles of daily necessity required for increasing the standard of living of the people; and (c) to obtain capital equipment to rebuild what had been destroyed or damaged, and capital for industrialisation, reconstruction and partial mechanisation of agriculture.⁶ He also said that Indonesia's independent and active foreign policy "has prevented the country from enmity with either party, preserves her from the damage to her own interests that would follow from taking sides, and permits her to be friends with all nations on a basis of mutual respect."⁷

It is thus clear that also in Indonesia's independent and active foreign policy, the Cold War bipolarisation was only one of the considerations however important it may be. Other factors which have been considered or have contributed to the adoption of the independent and active foreign policy are of equal importance. That is why, in this post Cold War Era, those factors have even become more important, whereas the Cold War bipolarisation is no longer important or relevant, except as a part of the historical background.

⁵Ibid.

⁶Hatta, "Indonesia's Foreign Policy", *Foreign Affairs* (April 1953): 441.

⁷Ibid., 445.

³Mohammad Hatta, *Mendayung Antara Dua Karang* (Jakarta: Bulan Bintang, 1976), 17-18.

⁴Ibid.

In addition, the goals of Indonesia's foreign policy as formulated by Bung Hatta as quoted above, are basically still applicable today. What is needed is a new content or interpretation, in light of current conditions. The improvement of the people's standards of living and industrialisation, for example, are still goals to be attained, though the means to achieve them is different today.

Non-Aligned Movement

As pointed out earlier, there should be a distinction between non-alignment as foreign policy principle (which is free or independent), and non-alignment as the principle of a global movement, i.e. the Non-Aligned Movement, which is an association of countries adopting foreign policies that are more or less or essentially the same or similar, namely an independent policy. Different or to a different degree from the former concept, NAM may be referred to more as a product of the Cold War.

Nevertheless, even in NAM the Cold War as a motive or source of its growth and development is not as pure as its name suggests. However, it is true that the highly strained relations between the two blocs of the Cold War served as a strong momentum for the establishment of that movement.

It is worth noting that the leading figure behind NAM was Joseph Bros Tito, at that time President of Yugoslavia, a communist country. Another prominent figure, who was a major supporter of NAM, was Egypt's President Nasser.⁸

⁸Jansen, *Afro-Asia*, especially Chapter XII, 278-290.

Being a communist country, Yugoslavia was in a unique position after being excluded from the Soviet bloc, i.e. its discharge from *Cominform* in 1948. Although gradually Yugoslavia was able to establish relations with Western countries, being a communist country it was impossible for Yugoslavia to become an ally of the West during the Cold War. Hence, basically the country wanted to remain independent not only from Moscow but also from the United States.

It was in such a position that the country made efforts to seek friends and to promote solidarity with Third World countries. The most apparent solidarity was manifested at that time, if not in the form of a global organisation or movement, by the group of Afro-Asian countries.

Being a European country, it was certainly impossible for Yugoslavia to join the Afro-Asian group, which had expanded since the Bandung Conference in 1955. Therefore, Tito put forward a concept of solidarity which was not confined to geographical boundaries, but one based on a political commitment, free from any ties with the Eastern or the Western bloc.

New tensions of the Cold War in the early decade of the 1960s offered the needed momentum as mentioned earlier. The tension arose especially out of the abortive summit meeting between President Eisenhower and Premier Krushchev scheduled to take place in Paris, owing to the shooting down of a US reconnaissance plane (U-2); the crisis brought about by the construction of the Berlin Wall; intervention by the West in Laos and Congo; and tension between the USA and Cuba, which increased because of the US attack on the Bay of Pigs.

To present a detailed history of NAM is not the purpose of this article. However, it may be noteworthy that if the Cold War had encouraged the birth of that movement, in the course of its history some anomalies have emerged, especially in terms of its membership because of differing orientations or motives and issues that tended to be divisive. Yugoslavia's motive, for example, was exactly the reverse of that of Cuba, which became a member later on, although based on the same train of thought. Yugoslavia wanted to promote solidarity and to establish friendly relations with Third World countries especially because of its dispute with the Soviet Union. Cuba joined forces with those countries because of its conflict with the USA, while its relationship with the Soviet Union was closer than that of Yugoslavia with the USA.

Furthermore, being not alligned to the West, Yugoslavia was an exception among NAM member countries due to its dispute with the Soviet Union. However, Cuba and Vietnam, for example, were ideologically more appropriate to be members of the Eastern bloc. The East-West conflict could indeed be understood as bipolarisation in the context of power politics. However, in point of fact the Cold War was also known as a confrontation between the communist bloc and the anti-communist bloc. Accordingly, to a certain extent the NAM forum also became an arena of conflicting interests of the Cold War.

These phenomena have made NAM more confused in its orientation and political commitment. And aside from other factors, this development seems to have hindered efforts to promote unity, let alone effectiveness of the NAM.

Consequently, even when the Cold War was still prevailing, the NAM was in fact already in the process of losing its significance and relevance, at least as far as the concept of NAM was related to the growth and development of the Cold War or was born as a product of the Cold War. The process had begun since its first Summit Conference in Beograd in 1961, which constituted its birth and at the same time paradoxically the seed of its discord.

The seed of the birth of NAM was sowed by Tito from Yugoslavia with Nasser from Egypt and Nehru from India as its main supporters. However, ironically, the seed of discord was sowed by President Soekarno of Indonesia, with his new and revolutionary idea, if unrealistic, on global political bipolarisation which was substantially different from the bipolarisation of the Cold War.⁹ Therefore, if the question is raised as to whether the NAM is still relevant in the post Cold War era, that question may be honestly answered with another question, has it ever been relevant?

However, if viewed apart from the Cold War conflict, namely as a cooperation and association of countries pursuing a free or independent foreign policy in the sense of what has been discussed earlier on, the NAM still remains significant and relevant. The term *non-blok* in Indonesian seems indeed something unfortunate, whereas the English term "non-aligned" does not seem to create any serious problem in this regard.

As mentioned earlier, the non-aligned foreign policy has been adopted by India since 1946. It means that the idea on the non-

⁹See Jansen, *Afro-Asia*, Chapter XIII, 291-307 dan Chapter XVIII, 384-392, and Djiwandono, "Gerakan Nonblok Pasca Perang Dingin".

alignment policy had developed before the beginning of the Cold War, at least officially, and before the Cold War was manifested in the confrontation between Eastern and Western Allies. In terms of substance or choice and use of the term, non-aligned policy does not refer to the existence of blocs, either Eastern or Western.

Indeed, one may ask, quoting Shakespeare's work, "What's in a name?" Logically, the end of the Cold War should have rendered obsolete or no longer relevant various concepts, or institutions that were born or created and have developed as a consequence or reflection of the world order. However, perhaps the Cold War did not end instantly as it appeared with the fall of the Berlin Wall or with the downfall of East-European communist regimes. The Warsaw Pact was disbanded not long after the events that had taken the world by surprise. But NATO has survived until now, though it seems to have continued to try to find or re-define its identity, function and scope.

Therefore it is small wonder, that we still see some other Cold War diehards, such as ZOPFAN, nuclear free zone, and Non-Aligned Movement, which are of more direct interest to us. Retaining certain terminologies is not a problem and may even be considered as a sign of continuity, as long as one is aware that their significance or nuances may have changed in light of the changing world, which brings about the possibility of new opportunities and challenges.

Indonesia's Potential Leadership

It is in this respect that Indonesia may seize the opportunity of serving its turn to assume NAM's chairmanship for three years

since the Tenth NAM Summit Conference in Jakarta in September 1992, to give new meaning and direction to the movement in entering the post Cold War era. Hence Indonesia's unique role.

The Tenth NAM Summit was unique, because it was the first ever held since the end of the Cold War. It is Indonesia's task as the first Chairman in the post Cold War era to continue to keep NAM's relevance in the midst of doubts, not only among the member countries but in the world at large, concerning NAM's relevance after the end of the Cold War, which had formerly motivated its birth.

It means that Indonesia has to be able to give the NAM a meaning, identity, and a new role in line with the aspirations of the member countries, so that unity may be promoted among them. It must be able to find new foundations of common interest, so that an effective cooperation may be established, not only for the interests of the member countries, but those of the whole world.

The lack of unity in the past has hampered efforts to make concrete cooperative programs, so that NAM has never played an effective role, even as a moral force. Let alone to contribute to creating a peaceful world, even to deal with conflicts and differences among its members it has been powerless, like the Iran-Iraqi War as one of the most obvious example. And as referred to earlier, differences in orientation and the question of role marked the NAM even at the First Summit in Beograd in 1961. It is particularly those factors that have apparently aroused doubts about the benefit, significance and relevance of NAM, even during the Cold War era.

However, the NAM has nonetheless been

able to assemble a great number of countries encompassing approximately two-thirds of the total number of UN members, which represent a substantial part of the world's population. Without the aim to rival, let alone to replace the UN, such a big association of countries should be able to play a positive and constructive role in global politics for the sake of humanity.

This will depend on its credibility in the eyes of the world.¹⁰ To build this credibility seems to be the main challenge to be faced by the NAM.

The goal of the NAM is the creation of a peaceful, just and prosperous world. However, NAM would only contribute to creating a peaceful world if and when it could solve differences and disputes among the member countries themselves by peaceful means. In this way, NAM's member countries, which basically constitute an association of countries desiring to pursue an independent foreign policy will be able to avoid outside interference. In the past it is in creating peace among the member countries themselves that the NAM has not been able to achieve tangible results. And NAM will be able to play a positive and constructive role for the world if it can avoid a confrontation policy. This is true to especially as far as relations with the industrialised countries are concerned (the West and the North), considering that a substantial number of NAM member countries are developing countries. It needs cooperation, not confrontation, with the advanced countries for the sake of the development of its own member countries, if they want to overcome their backwardness.

Likewise in creating the world's welfare and justice, NAM will only be able to play a positive role if each member country is able to continue to increase efforts in creating welfare and justice for its own peoples. Accordingly, if national development should naturally be given first priority in each member country's policy, real and concrete economic cooperation should naturally become NAM's main focus of attention in the future.

In other words, the main challenge to NAM in the post Cold War era is re-organising its own domestic affairs, individually as well as collectively. In the language used in ASEAN circles, the NAM member countries should be able to develop their own respective national resilience and through cooperation develop the so-called "group resilience", which in the context of ASEAN is known as "regional resilience". This would be the basis of internal credibility to support its role.

Being Chairman, Indonesia has great potentials by assuming NAM's leadership in response to the challenges of the post Cold War era.¹¹ In terms of its mere population, Indonesia today is the fourth biggest country in the world. It has a vast territory and is the largest archipelago, which is rich in natural resources and has a legacy of rich cultures.

However, no less important than the potentials of the natural resources, Indonesia has the credibility of being one of the pioneers of NAM.¹² And to support this credibility, Indonesia may function as a "model" of development with the successful performance in some of its important

¹⁰Read Djiwandono, "Menyukseskan KTT Non-blok", *Suara Karya*, 19 August 1992.

¹¹Ibid.

¹²See footnote 1.

aspects and this experience to be beneficial to other NAM member countries or developing countries.

Indonesia's successful development is mainly centred on self-sufficiency in food and population control through family planning program, two areas which are closely related to the welfare problem of many developing countries. And functioning as the base of the development program is the maintaining of national stability, which is frequently a serious problem faced by developing countries.

The success in those areas constitutes part of internal credibility for Indonesia's leadership in NAM. This will in turn support its external credibility, i.e. winning the trust of the outside world, including the NAM member countries themselves.

One important factor which contributes to the success is the efficient and effective utilisation of various forms of aid and cooperation with industrialised countries. As far as Indonesia is concerned, that relationship is no longer marked by confrontation as under the Old Order, but by various forms of mutually beneficial cooperation, and interdependence, if not always symmetrical in nature.

Therefore, being Chairman of NAM, Indonesia may play the role of moderating factor, not only intra-nonalignment, but also in the relationship and cooperation between NAM countries and other developing countries on the one hand, and the advanced countries on the other. Moderation has characterised Indonesia's diplomacy and foreign policy since the beginning of the New Order government. This is evident from the termination of the confrontation policy against Malaysia which was immediately

followed by the establishment of ASEAN more than twenty five years ago, the first two major steps in the field of foreign policy taken by the New Order government. Moderation has also characterised Indonesia's diplomacy and role in a number of fora, such as IOC, OPEC, and has been reflected in its initiatives to help solve the Kampuchea conflict and those of the South China Sea.

Direction and Performance of Indonesia's Leadership

Giving new meaning and direction to the NAM in the global political constellation which is rapidly changing from the Cold War order into a new world order which has not as yet taken its clear form, is indeed Indonesia's initial effort as Chairman. This was reflected in President Soeharto's opening address at the Tenth NAM Summit. The general course to be taken and problems or challenges to be faced by the NAM was explicitly spelled out in detail in that speech.

However, more important than all those details are the inherent spirit and meaning. In the introductory part of the speech, President Soeharto first of all referred to Bung Hatta, who had officially for the first time in 1948 outlined Indonesia's independent and active foreign policy as has been discussed earlier. The President referred to the 1955 Afro-Asian Conference in Bandung; to the 1961 NAM Summit I in Beograd; and to the prominent founders of the NAM, namely Kwame Nkrumah of Ghana, Joseph Broz Tito of Yugoslavia, Gamal Abdul Nasser of Egypt, Jawaharlal Nehru of India, and Soekarno of Indonesia itself.

Those references did not purport to ex-

pose a range of historical events that have reflected NAM's continuity for more than three decades and have revealed the change of style and picture of NAM's leadership or that of each individual member country.¹³ What was presented in the President's speech in his capacity as NAM's Chairman was an invitation to create a "metamorphosis", a change of NAM's identity. But, perhaps more than that, Indonesia's leadership invited the member countries to "rediscover" NAM's identity that has so far become increasingly blurred or "deviated" from its original ideals.

There lies the profound meaning of Soeharto's reference to Bung Hatta, although the connection between NAM and the Bandung Conference may need further explanation, as pointed out earlier.¹⁴ If the "non-alignment" policy -- more precisely "free" or "independent" or non-aligned, as elaborated earlier -- partly refers to the Cold War confrontation, in this post Cold War era it is automatically no longer relevant or the connection is no longer significant. However, more importantly the essence of independent policy continues to be relevant, which gives preference not only to freedom but also to selfreliance. This also applies to the NAM.

Selfreliance has also become a more important principle precisely after the end of the Cold War. With the termination of the East-West rivalry, tension and confrontation, the Third World countries, among which a substantial number are NAM members, are no longer to be reckoned with

strategically by the major powers which were formerly involved in the Cold War conflict. One of the consequences is that the major powers will no longer tend to support developing countries of the Third World in their attempt to find new allies in the context of their rivalry. At the same time, the developing countries of the Third World are no longer able to exploit the Cold War Conflict for their own ends by using their independent foreign policy to blackmail the major powers. Finally, NAM may benefit from a more peaceful climate as the result of the end of the Cold War, so as to enable them to focus their attention more on economic cooperation for the sake of each member country's development.

Indonesia's activity and performance as NAM's Chairman are undoubtedly prominent. As mentioned earlier, NAM appears to have become the focus of Indonesia's foreign policy, without reducing, let alone abandoning the scope and fora of other state relations which have so far been given priority in Indonesia's foreign policy, bilaterally, regionally, as well as internationally. Indonesia's diplomacy in various fora and at different levels is now gaining momentum and new dimension.

The new dimension is reflected most interestingly in the visit made by Israeli's Prime Minister Yitshak Rabin to Jakarta to meet with President Soeharto in his capacity as NAM's Chairman. The protocol was arranged in such a manner so that it was obvious that PM Rabin met with President Soeharto as the Chairman of the NAM and not as President of the Republic of Indonesia,¹⁵ since the diplomatic relations between Israel and Indonesia is yet to be opened. Without

¹³Djiwandono, "Kepemimpinan Nonblok Dulu dan Sekarang", *Suara Karya*, 1 September 1992.

¹⁴See also Djiwandono, "KTT X GNB di Jakarta Keharusan Sejarah", *Suara Karya*, 2 September 1992.

¹⁵*Kompas*, 16 October 1993.

his capacity as NAM's Chairman, it would be impossible for President Soeharto to receive PM Rabin in the present situation.

In terms of bilateral contacts, Indonesia's position has also gained a new dimension as Chairman and in some instances as NAM's spokesman, even on behalf of the countries of the South. This has not only occurred at the bilateral level with NAM member countries or those of the South, such as the countries visited by President Soeharto after the Tenth NAM Summit like Senegal, Tunis, and Iran. Support for the Palestine's cause, for example, has been promoted not merely on behalf of Indonesia but also on behalf of NAM. Such bilateral occasions, even more so a multilateral forum such as G-15 have also been used by President Soeharto as NAM's Chairman to appeal for the South-South cooperation as basis for the North-South Dialogue.

The same is true regarding relations with industrial countries like Japan, the United States, and France, which President Soeharto visited after the Tenth NAM Summit Conference. In his meeting with Prime Minister Miyazawa then acting as Chairman of the G-7 Group, President Soeharto acted on behalf of NAM and was received accordingly,¹⁶ to promote North-South cooperation. President Soeharto appealed to the industrialised countries for the relief of debts incurred by very poor NAM member countries and for their commitment to extend aid more than had been extended so far.¹⁷

At international and multilateral fora, President Soeharto also acted on behalf of

the NAM, such as, for example, when he was attending the first APEC Summit Meeting in Seattle. On behalf of NAM, President Soeharto appealed for a more decisive voice of the NAM in the UN decision-making process, in conformity with the proposals to the UN for its re-vitalisation, restructuring and democratisation embodied in the "Jakarta Message" at the conclusion of the Tenth NAM Summit Conference.

Making use of the successful performance of development as mentioned earlier, Indonesia has initiated several multilateral approaches through the demographic conference of NAM in Bali, for example, and through bilateral cooperation with a number of countries in this field as a follow-up. And the NAM member countries seemed to respond positively, like Iran and the Philippines, which wanted to learn from Indonesia's experience in its family planning scheme.¹⁸ In addition, it was reported that Brunei Darussalam was considering to extend aid to African countries through an agricultural education program.¹⁹

Outside NAM, a positive response was expressed by the advanced countries. Through its Chairman at that time, namely Prime Minister Miyazawa, the G-7 group approved of and highly regarded NAM's view which was conveyed by President Soeharto in Tokyo. This was reflected in the economic declaration announced by its summit meeting.²⁰ The positive responses and expectations addressed to the NAM, especially Indonesia's leadership, by NAM member

¹⁶*Suara Karya*, 10 July 1993.

¹⁷Read the report of President Soeharto's briefing to the press on his way back to Jakarta from Senegal and France in newspapers published on 27 November 1992.

¹⁸*Suara Pamburuan*, 14 November 1993, and *Kompas*, 10 October 1993.

¹⁹*Suara Karya*, 7 October 1992.

²⁰*Suara Karya*, 10 July 1993.

countries themselves as well as the industrialised countries, are manifestations of credibility on the part of NAM and particularly Indonesia as its Chairman.

On the other hand, Indonesia's sincerity in carrying out its responsibility as NAM's Chairman was manifested among other things by the installation of NAM envoys and an advisor to the Foreign Minister.²¹ One year later seven economic experts were appointed to help overcome debt problems faced by the NAM member countries and one Head of the Executive Board of NAM's Chairman.²² They are all useful in helping overcome the shortage of infrastructure of the NAM, which has not as yet developed into an established world organisation.

An interesting phenomenon since Indonesia was elected Chairman of the NAM has been the fact that Indonesia's foreign policy appears to have increasingly become the exclusive domain of President Soeharto as the main actor of foreign policy, his own foreign minister. This is natural and cannot be avoided in realising Indonesia's leadership of the NAM actively and effectively. If Indonesia as a state was elected Chairman of NAM, the most suitable person to represent the state and accordingly the most authoritative and authorised person to assume that leadership is undoubtedly the President himself. Under the "Guided Democracy" of the Old Order, similar but stronger phenomenon developed at the time when President Soekarno in his duet with Dr. Subandrio as First Deputy Prime Minister concurrently Foreign Minister, if based on very differing or even contradictory motives, rationale, and style, was ambitious to become the leader of the

"Nefos" (New Emerging Forces) group.

In view of Indonesia's performance in the international arena today, which is much more active and intensive, especially since assuming the chairmanship of the NAM, it has been no longer relevant to argue whether or not Indonesia should take on a low profile in its foreign policy. Perhaps among the ASEAN countries at the initial stages of its development, Indonesia did take such a stand owing to certain considerations.²³ However, in fact Indonesia has even since early last decade been more active in its foreign policy conduct, such as establishing closer relationship and cooperation with East European communist countries at that time, including the then Soviet Union.

Some circles considered ASEAN cooperation inadequate for Indonesia to play an important role in the international arena commensurate with the country's potentials. The NAM constitutes a more appropriate forum for such an aspiration.²⁴ Nevertheless, Indonesia's performance in playing its role in the international arena as Chairman of the NAM has added to the prestige and credibility of the Indonesian state and nation in the eyes of the world. This may help consolidate unity of the nation and strengthen its selfconfidence as a nation. This will in turn become an additional moral capital, which is of great significance to the continuity of national development.²⁵

²³See Djiwandono, "The Political and Security Aspects of ASEAN: Its Principal Achievements", *Indonesian Quarterly* XI, no. 3 (July 1983): 19-27.

²⁴John McBeth, "Irrelevant No More: Non-Aligned Movement Speaks Up for the South", *Far Eastern Economic Review* (11 November 1993): 22.

²⁵Djiwandono, "Dampak Internal KTT X GNB", *Suara Karya*, 7 September 1992.

²¹*Suara Karya*, 16 November 1992.

²²*Suara Karya*, 7 September 1993.

Challenges To Be Faced: Conclusion

Indonesia's great potentials and noble intentions that have accompanied its leadership over the NAM have earned the country its credibility and have endorsed the support and trust of the outside world, including the NAM member countries themselves. However, at the same time, while Indonesia's leadership may have promoted the image of the NAM, all of those have also raised high expectations and hopes.

UN Secretary General, for example, hoped that Indonesia in its capacity as Chairman of the NAM will make realistic programs, such as extending aid to Ethiopia and other countries in need of aids due to hunger and poverty.²⁶ President Ramos of the Philippines expected the NAM to make "new breakthroughs" to solve the debt problems faced by developing countries.²⁷ Through his special envoy, Dr. Muhammad Ahmad Al Sharif, President Moamer Khadafi of Libya appealed for help to President Soeharto in his capacity as NAM's Chairman to ask the UN to lift the embargo sanctioned on that country.²⁸ While rejecting political interference by the NAM, Afghanistan hoped for the extension of economic aid.²⁹ Meanwhile, it is said that many African countries have not as yet understood the importance of the NAM.³⁰

All of those things are obviously challenges and additional burdens to the Indonesian leadership, not to mention its limitation

to the three-year term. Perhaps a tradition, convention or provision is yet to be developed, which enables a NAM member country to occupy the post of Chairman for more than one period consecutively.

Be that as it may, great potentials and noble intentions will not automatically ensure a successful performance of Indonesia's leadership, which will also become the successful performance of the NAM. The support and trust of the outside world, including the NAM member countries, have to be translated into a real stand and action in order to contribute to the expected success.

This means that the goodwill to cooperate of all NAM members and industrialised countries is called for in order to implement the programs that have been jointly laid down and agreed upon. The first step to be taken is the realisation of the South-South cooperation, while the second step is the establishment of the North-South cooperation.

As for Indonesia itself, its potentially and credibility in carrying out NAM's leadership should be continuously supported by its own domestic conditions. This calls for the maintenance of real national stability in its widest possible sense.

On the other hand, the maintenance of stability requires an effective management of real problems faced by this nation, which may pose potential threats against national stability. The most urgent problems are among others poverty, social injustice, the wide socio-economic gap; the demand for more effective openness, in the sense that it will effectively influence the decision-making process through the development of the necessary mechanism in the political system, all of which are part of the demand

²⁶*Suara Karya*, 10 August 1992.

²⁷*Ibid.*, 7 October 1992.

²⁸*Ibid.*, 24 September 1993.

²⁹*Ibid.*, 5 September 1992.

³⁰*Ibid.*, 22 April 1993.

for increased democratisation, which has showed some signs of setback recently. They are all part of the demand for greater respect for human rights in general.

The efforts in tackling those problems should be made not merely because they are part of diplomacy encouraged by increasing international pressure, but also because they are indeed real demands and aspirations in society. And the globalisation issue that is frequently referred to in speeches so as to make it almost a cliché without real realisation of its possible implications, will more or less affect those demands. It will not be possible to completely ignore or arrest them altogether.

Awareness of those problems should not,

be due to Indonesia's increasingly high profile in the conduct of its foreign policy, especially since the country has become Chairman of the NAM, as perceived by conspiracy theorists as though it were deliberately moved by some quarters to make Indonesia's domestic affairs the focus of the outside world.³¹ However, widely spread speculations and conspiracy theories in this country may be due to a lack of transparency and development of Indonesia's political system, and a lack of efforts made, to deal with those problems comprehensively and institutionally. This may be the wisdom that we can learn from such speculations or imaginations.

³¹See footnote 24.

The Archipelagic State and the Full Recognition of Indonesian National Independence

Helen F. Fletcher

INDONESIA'S drive to have the archipelagic concept accepted has been motivated by a range of considerations including concerns for national security, economic and political considerations; however, these concerns are subordinate to an overriding "desire for recognition". In his recent book, *The End of History and the Last Man*, Francis Fukuyama gives a new emphasis, as a tool of analysis, to Hegel's identification of "recognition" as an important factor in understanding international relations and national identity. Fukuyama argues that the behaviour of states can be better understood from an evaluation of Hegel's idea that their behaviour is underpinned and motivated by the basic human desire for recognition. Thus while economic, political and strategic considerations are discussed in public, these are better seen as elements of national behaviour which are motivated by the fundamental concern for national recognition, described by Hegel as:

The desire for recognition, and the accompanying emotions of anger, shame, and pride, are parts of the human personality critical to political life.¹

According to Hegel, they are what drives the whole historical process. Hegel adds that "... what truly satisfies human beings is not so much material prosperity as recognition of their status and dignity".² Whilst we know implicitly that recognition is a fundamental desire of the individual and is often sought at that level, authorities from as diverse fields as psychology, literature and business management have noted that it is also common for individuals to seek recognition collectively. As emphasised by Fukuma, the ultimate expression of the collective desire for recognition is through the nation state.

¹Francis Fukuyama, *The End of History and the Last Man* (London: Hamish Hamilton, 1992), xvii.

²*Ibid.*, xviii.

The traditional notions of international relations which concern themselves with the distribution of economic, political and geo-strategic power³ have each been examined as possible causal factors in Indonesia's behaviour. While the examination has shown that indeed these have been important considerations, they have been found to be less than a sufficient and necessary explanation of Indonesia's efforts to have the archipelagic concept accepted by the international community. By subsuming these factors, as suggested by Fukuyama, as parts of the "struggle for recognition", we can apply Hegel's notion to Indonesia's archipelagic concept. By doing so the motivation for Indonesia's vigorous campaign for the world to accept the archipelagic concept is better understood. Indeed, a fundamental and primary motivation for Indonesia in pursuing archipelagic status has been its multi-faceted drive to link its impressive ancient history and considerable post-independence achievement to an image of itself as an important, confident nation in a way which transcends its long and unhappy colonial experience and which seeks in Hegel's terms a full and appropriate recognition of its independence as an important nation and sovereign state.

The traditional rules and assumptions which underpinned the legal right of transit on the high seas have been subject to a number of challenges since the end of the Second World War. The Cold War provided a context in which the Superpowers and their respective allies insisted upon the "right of transit" as part of their struggle for strategic influence. The primacy of military considerations in the "right of transit" of war ships

on the "high seas" is linked to the need to protect and ensure the safe passage of the massive increase in commercial shipping which has been a fundamental part of the enormous growth of world trade since 1945.

The invention and building of super carriers for oil and mineral ores and container ships to carry finished goods, which are now up to ten times larger than the commercial ships of the 1920s, are symbols of the huge growth in the transportation of raw materials and finished products around the globe. In part, as a response to the expansion in trade, the increased scope of maritime haulage and the increased number of ships and their secure passage, many nations began to evaluate the importance of their coastal waters. The first priority of examining the changes in the nature and scope of international shipping security, led to the second, economic concerns for the security and exploitation of the resources found in and beneath the sea. The traditional limitation of territorial waters to three nautical miles was seen as little protection for the fisheries and under-sea resources that were believed to exist. The "High Seas" doctrine meant that for many nations, resources close to their territory might be exploited by other nations with ocean going fleets. The potential of rich under-sea mineral resources on the continental shelf but extending beyond the traditional three nautical mile limit were also open to exploitation by other nations.

After the Second World War many newly independent nations felt that the traditional notion of the "freedom of the seas" did not serve their interests; to some, especially those who had perceived themselves to have been colonial victims, this doctrine was regarded with bitterness as it had enabled the great European powers to assert and extend

³Hans J. Morgenthau, *Politics among Nations: The Struggle for Power and Peace*, 5th ed. (New York: Alfred A. Knopf, 1973).

their colonial empires. Rather than battle or negotiate with the major powers on these issues a number of nations, including Indonesia, chose instead to establish and pursue their concerns and claims through various organs of the United Nations. This strategy was adopted to avoid direct confrontation with the ex-colonial powers and because there was little chance that bilateral negotiation would deliver rapid results or provide international mechanisms to make gains broadly binding. Although the United Nations had a chequered record in many areas, the more broadly based support of the smaller powers could be harnessed to win international legal position in the face of great power opposition.

In response to calls from a large number of General Assembly members the United Nations has held three conferences which have attempted to deal with the complex problems created by different nations' disparate and conflicting aims in changing many aspects of the Law of the Sea. The first United Nations Conference on the Law of the Sea (UNCLOS I) was held in 1958, UNCLOS II in 1960 and UNCLOS III ran from 1973 to 1982. Both UNCLOS I and II failed to deliver an internationally acceptable legal regime for the governance of the world's seas. UNCLOS III, however, was more fruitful, culminating in 1982 with the adoption of the new Convention on the Law of the Sea. The Convention requires ratification by sixty nations to come into effect and it is predicted that this will occur during 1993.

Indonesia argued a case for the archipelagic concept to be included in the new Law of the Sea at each of UNCLOS I, II and III. The archipelagic concept received little

attention at both UNCLOS I and II. At UNCLOS III, however, the archipelagic state concept was accepted and incorporated into the new law, despite the consistent and strong opposition it received, most notably from the United States, which was particularly concerned with military and under sea resource issues and Japan, which was primarily concerned with questions involving fishing resources.

In terms of an historical analysis, which gives emphasis to the successive impacts of major historical changes, Indonesia's vigorous pursuit of archipelagic status in the Law of the Sea negotiations provides a critical insight into her transition to full independence following 300 years of Western colonial rule. In 1957, only a decade after independence, Indonesia first announced her goal of having the archipelagic concept adopted, it was a time when the nation was still beset by internal and external conflicts. Ricklefs has noted the acute irony in the three years to 1957, "... as the nation fell apart it also became one. Rarely was there more truth in the national motto *Bhinneka Tunggal Ika* ('unity in diversity'). There were still many divisions and conflicts within the nation, some of them ultimately irreconcilable. But by now they were clearly divisions and conflicts within a single nation".⁴ Indonesia was threatened by political disintegration and needed a concept or motivation that could be made into a simple symbol of unity and union of the Indonesian people and islands as a nation. It was this need that saw the birth of the archipelagic (*Nusantara*) concept which would provide the basis for a geographic and cultural unity upon which it was

⁴M.C. Ricklefs, *A History of Modern Indonesia* (London: Macmillan, 1981), 244.

hoped a new national identity would be built.⁵

Indonesia's archipelagic claims can be understood, in part, by the application of international relations scholars Rosen and Jones' analysis of the concept of power. They describe the concept of power in international relations as stemming from three sources: natural, socio-psychological, and synthetic. Of the natural sources of power they cite as the three most important: geographic, natural resources and population. National self-image is seen as a critical component of the social and psychological sources of power as is public support and cohesion. The principal elements of synthetic power are industrial capacity and military preparedness.⁶

A number of analyses of Indonesia's archipelagic claims have focussed much attention on the natural and synthetic sources of power as its primary motivation with very little examination of the social and psychological sources of power. This paper argues that whilst the natural and synthetic sources of power provide a rational and reasonable basis for analysis the social and psychological sources of power are essential to a comprehensive analysis of the situation. Indonesia, teetering on the brink of chaos, was desperately seeking a sense of national identity or in Hegel's terms "recognition" and it was this desire for recognition which was a critical factor in propelling Indonesia to such vigorous and persistent pursuit of the ar-

chipelagic concept. Nationalism, Fukuyama contends, "... is very much a manifestation of the desire for recognition arising out of *thymos*.⁷ The nationalist is primarily preoccupied not with economic gain, but with recognition and dignity".⁸ It is from the achievement of recognition and dignity that the economic, political and strategic elements fall into place.

Soon after the achievement of independence in 1946, Indonesia became aware that its maritime boundaries determined by Dutch legislation were at odds with the economic, political and security needs of the newly independent state. Interpretations and exercise of the Law of the Sea had long been dominated by the Western maritime powers whose main interest was to maintain the doctrine of the "freedom of the high seas" for commercial and naval vessels. This application of the Law of the Sea was perceived by the Indonesians as playing an important part in the 300 years they had endured under colonial rule.⁹ Nichols notes that:

⁷*Thymos* is the term used by Plato to describe the psychological phenomena which Hegel calls the "desire for recognition". It is the most political part of man's personality and is responsible for such emotions as shame, anger and pride; it is what drives men to assert themselves over one another. No single term has been given to this phenomena and through the ages it has been variously described by different philosophers and thinkers. Machiavelli called it "man's desire for glory", Hobbes referred to man's "pride" or "vainglory", Rousseau to his *amourpropre*, James Madison spoke of "ambition", Alexander Hamilton of "the love of fame" and Nietzsche wrote of man as "the beast with red cheeks".

⁸Fukuyama, *The End of History and the Last Man*, 201.

⁹Mochtar Kusumaatmadja, "Indonesia and the Law of the Sea Issue", *Indonesian Quarterly* 3, no. 2 (January 1975): 55.

⁵Mochtar Kusumaatmadja, "The Concept of the Indonesian Archipelago", *Indonesian Quarterly* 10, no. 4 (October 1982): 15.

⁶S.J. Rosen and W.S. Jones, *The Logic of International Relations* (Cambridge Massachusetts: Winthrop, 1977), 184-193.

On decolonisation, the archipelagic States were left with their colonial boundaries, but without the sea power which had bound their constituent parts together. Yet they were denied the control of their internal waters under laws devised by and for the seaborne empires.¹⁰

Whilst there were sound economic, political and security reasons for Indonesia to make changes to the maritime boundaries left by the colonial power, there was also the underlying motivation to remove the legacies of the colonial power to demonstrate more fully the validity of their independence. Professor Mochtar Kusumaatmadja in his former role as Indonesian Minister for Foreign Affairs has given singular emphasis to this:

It would not be exaggerating to say that it is ... [through the archipelagic concept] ... that the effort or the journey of the Indonesian nation towards re-discovering its own identity has been carried out.¹¹

Significant developments in the Law of the Sea which would later assist Indonesia's claims, came from disputes over fisheries in the North Sea. In 1951 in the settlement of the Anglo-Norwegian Fisheries Case, the International Court of Justice legalised the inclusion of coastal archipelagos in the territorial sea. This set a legal precedent for the use of straight baselines in delimiting territorial waters in areas where the coastline is deeply indented or cut into and is fringed by many islands or features. Such areas became referred to as coastal archipelagos.¹²

¹⁰D.B. Nichols, *The Strategic Implications for Australia of the New Law of the Sea* (Canberra: SDSC, 1985), 38.

¹¹Kusumaatmadja, "The Concept of the Indonesian Archipelago", *Indonesian Quarterly* 10, no. 4 (October 1982): 25.

¹²P. Tangsubkul, *The Southeast Asian Archipelagic States: Concept, Evolution, and Current Practice* (Hawaii: East-West Center, 1984), 9-11.

Six years after the Anglo-Norwegian Fisheries Case, on 13 December 1957, Indonesia issued The Proclamation of the Territorial Waters of the Republic of Indonesia also known as the Djuanda Declaration. This communique argued that historically the Indonesian archipelago formed an entity whose integrity had been interrupted during the era of Western colonialism. The Declaration proposed the application of the straight baseline method of delimitation while it guaranteed safe passage for foreign vessels within the archipelagic waters which Indonesia claimed as "internal waters" and not "territorial sea".¹³ This was the first step towards the establishment of a new concept in international maritime law, that of the mid-ocean archipelago. The move also represented Indonesia's first official step towards establishing itself as an archipelagic state. The Philippines, the other mid-ocean archipelagic state in Southeast Asia, had made a similar declaration almost three years earlier in a *Note Verbale* to the UN Secretary General of 7 March 1955.¹⁴ When UNCLOS I and UNCLOS II failed to recognise the claims of the archipelagic states Indonesia went a step further and despite persistent protests from the United States, Japan and Australia, proclaimed the Djuanda Declaration law on 18 February 1960; the Philippines took similar action in 1961, forcing the issue onto the agenda for UNCLOS III.¹⁵

Indonesia is the world's largest archipelago, comprising 13, 667 islands of which 6,044 are named and 931 inhabited. Indone-

¹³K. Kittichaisaree, *The Law of the Sea and Maritime Boundary Delimitation in Southeast Asia* (OUP, 1987), 157.

¹⁴*Ibid.*, 153.

¹⁵Nichols, *The Strategic Implications for Australia of the New Law of the Sea*, 7-8.

sia's total land area is 1,904,345 square kilometres.¹⁶ Under the archipelagic concept Indonesia has gained an additional 98,000 square kilometres of internal waters enclosing a total of 666,000 square kilometres.¹⁷ The implementation of the archipelagic concept has shortened the Indonesian coastline and greatly simplified its measurement; under the former island-after-island principle Indonesia had a coast line more than three times the length of the equator.¹⁸

The new Convention on the Law of the Sea defines an archipelago as "... a group of islands, including parts of islands, inter-connecting waters, and other natural features, which are so closely interrelated that such islands, waters, and other natural features form an intrinsic geographical, economic, and political entity, or historically have been regarded as such an entity".¹⁹ The word archipelago developed from an Italian term *arcipelagus* which meant important sea. The meaning of the word has gradually evolved to mean a body of water with islands within it. More recently the meaning of the word has referred only to the islands with no reference to the sea element.²⁰ The meaning of the word has thus shifted from an exclu-

sive focus on the sea element to an exclusive focus on the land element but now the focus has shifted again to include both land and sea.

Indonesia's particular geography and location on the globe places her in a unique geo-strategic position; Indonesia separates two of the world's major oceans, the Indian and the Pacific, and the two continents in her region, Asia and Australia. Indonesia, as an island state, faces the problem of having many vital shipping lanes passing through her territorial domain. The five main transit passages through the Indonesian archipelago are *Malacca Strait*, which separates Indonesia and Malaysia and has a governing depth of 75 feet and a minimum width of 8 nautical miles (nm); *Sunda Strait* which has a depth of about 120 feet and a minimum width of 12 nm; *Lombok Strait* which is over 600 feet deep and has a minimum width of 11 nm; *Ombai-Wetar Strait* which is over 600 feet deep and has a minimum width of 12 nm; and *Torres Strait* which extends into the territorial waters of Australia and Papua New Guinea and has a depth of 39 feet and a minimum width of 10 nm. The *Malacca* and *Singapore* Straits provide the most direct transit route between the Indian Ocean and the South China Sea. If a ship enroute from the Persian Gulf to Yokohama in Japan was forced to round Australia and transit via Bass Strait rather than through the Malacca and Singapore Straits this would increase the length of the journey by 80 per cent. It is not surprising then, that the key straits are amongst the busiest strategic waterways in the world; some 37,000 super tankers and other ships pass through them each year.²¹

¹⁶P. Tangsubkul, *ASEAN and the Law of the Sea* (Singapore: Institute of Southeast Asian Studies, 1982), 9.

¹⁷Kittichaisaree, *The Law of the Sea and Maritime Boundary Delimitation in Southeast Asia* (OUP, 1987), 159.

¹⁸St. Munadjat Danusaputro, "Wawasan Nusantara and the International Sea System", *Indonesian Quarterly* 2, no. 4 (July 1974): 85.

¹⁹P. Tangsubkul and F. Lai, "The New Law of the Sea and Development in Southeast Asia", *Asian Survey* 23, no. 7 (1983): 859.

²⁰Danusaputro, "Wawasan Nusantara and the International Sea System", 55.

²¹R. Taylor (ed.), *Asia and the Pacific* 2 (New York: Facts on File, 1991), 1574.

MccGwire has noted that "... the strategic quality of a particular waterway will reflect some combination of the importance of the use it is put to, the ease with which that use can be prevented and the availability and cost of alternative routes".²² On a global basis, he argues that each of the five main waterways enclosed by the Indonesian archipelago is of considerable strategic importance.²³ The strategic location of these straits has already been noted. They are also, however vulnerable to obstruction. Lombok and Ombai-Wetar are deep but relatively constricted, leaving them vulnerable to submarine attack; the other three straits are relatively shallow, making them particularly vulnerable to mining; all five waterways have minimum widths of no more than 12 nautical miles, leaving them all susceptible to land-based weapons systems and missile-armed craft.²⁴

Indonesia's geo-strategic characteristics have given her a position of regional importance, but with the post-1945 development and growth of the international economy that strategic position is now of global significance. The control of the straits could be used by Indonesia to bring pressure on other nations or inhibit international shipping, although the Indonesian government has consistently avoided playing this card in its campaign. An influential official, Danusaputro, notes that Indonesia is one of the world's most important crossroads, and argues that in occupying this position Indonesia has the duty to ensure that smooth

passage through its archipelagic waters is guaranteed.²⁵

A primary function of any state is to guarantee national sovereignty and territorial integrity. The archipelagic states have been concerned to mirror the land-based states' ability to define clearly their territorial integrity. Indonesia's unique geographic characteristics as a large archipelago present difficulties in the exercise of effective central authority and allow ease of intrusion by outsiders. When Indonesia first declared the archipelagic state concept in 1957 it publicly gave emphasis to the view that it was driven primarily by considerations of its national unity and security.²⁶ Indonesia's archipelagic claim must be viewed in the context of the politics of the time. It was during the Soekarno era and the nation was experiencing both internal and external security problems. Internally, the country was threatened by regional separatist movements which finally erupted into rebellion. Externally, Indonesia was engaged in a confrontation with the Dutch over West Irian.²⁷ Indonesia's legal position on maritime boundary delimitation inherited from the Dutch was based on the "Freedom of the High Seas" doctrine. Under this doctrine the waters separating Indonesia's thousands of islands were considered high seas, and passage by foreign vessels through these waters was therefore open and uncondi-

²²M. MccGwire, "The Geopolitical Importance of Strategic Waterways in the Asian-Pacific Region", *Orbis* 19, no. 3 (1975): 1061.

²³*Ibid.*, 1069.

²⁴*Ibid.*

²⁵Danusaputro, "Wawasan Nusantara and the International Sea System", 55.

²⁶J. Soedjati Djiwandono, "The Security of Sea Lanes in the Asian-Pacific Region: The Prospects for Regional Co-operation", *Indonesian Quarterly* XIV, no. 1 (January 1986): 48.

²⁷T.S. Lau and L.T. Lee (eds.), *The Security of the Sea Lanes in the Asia-Pacific Region* (Singapore: Heinemann, 1988), 109.

tional. This physical segregation of Indonesian territory lent support to separatist claims for autonomy.²⁸

Danusaputro points out that the archipelagic concept as described in Wawasan Nusantara views "... a threat against an island or a region ... [as forming] ... a threat against the whole nation and country".²⁹ This is a view that most nations would consider fundamental in maintaining their territorial integrity. For example, when Pearl Harbour came under Japanese attack during the Second World War, there was no doubt that this was an attack on the United States of America. Similarly, a threat against Tasmania would unequivocally constitute a threat against Australia.

The United Nations declared in 1970 that the resources of the seabed were the "Common Heritage of Mankind" and that they would only be exploited for the "benefit of mankind as a whole". In addition the "interests and needs of the developing countries" were to be taken into consideration.³⁰

Nations like Indonesia argued that it was no longer possible to regard the resources of the seabed as "free for all" under the disguise of the "freedom of the seas" doctrine. This is emphasised by Djalal who states that:

The contention that the principles of Common Heritage of Mankind permit the exploitation of the Common Heritage by those who are capable of exploiting it was, to say the least, impractical and unjust ... [and would] ... lead to the colonization of

the international seabed area ... by those who have the technology, the financial capacity and the organization (sic) ability to do so.³¹

An immediate concern of Indonesia was to extend control over fisheries, since about 4 per cent of Indonesia's population are reliant upon the import of raw materials, such as crude oil, to fuel its petro-chemical and plastics industries.

Malaysia shared these concerns but its position was further complicated by the fact that Indonesia's archipelagic claims would cut off direct access between the Malay Peninsula and Malaysia's eastern provinces, Sabah and Sarawak. Malaysia argued that this would be detrimental to the national unity of Malaysia and made its acceptance of the proposal conditional upon protection of the existing rights of navigation.³³

The major maritime powers, both naval and commercial, faced potentially severe limitations to their traditional freedom of transit. The strongest opposition to the proposal from this group, came from the United States which had recently reduced its involvement on the Asian mainland and was therefore anxious to maintain its freedom of the seas; in some quarters there was a concern for even freer movement of its Naval forces in the region. Similarly, many of the major trading nations were alarmed by the archipelagic concept's potential to disrupt world trade and in particular its potential to significantly increase shipping costs.

Tangsubkul has pointed out that the Asian region is a key focus for much of the

²⁸Tangsubkul, *The Southeast Asian Archipelagic States*: ..., 22.

²⁹Danusaputro, "Wawasan Nusantara ...", 60.

³⁰Hasjim Djalal, "Law of the Sea Conference: Other Alternatives for Seabed Mining", *Indonesian Quarterly* X, no. 1 (January 1982): 62.

³¹Ibid.

³³Kittichaisaree, *The Law of the Sea and Maritime Boundary Delimitation in Southeast Asia* (OUP, 1987), 159-160.

world's trade. In particular, it is a major recipient of the bulky raw materials:

Many of the rapidly growing economies in the Asia-Pacific region such as Japan, Korea, and Taiwan are highly dependent on trade with overseas markets and on oil from the Middle East.³⁴

Indonesia with its own rapidly developing economy was also keen to promote the transit of commercial vessels; however, her attitude towards the free movement of naval vessels was less expansive, reflecting Indonesia's parochial perceptions of national security. Thus, "... in so far as [Indonesia and Malaysia] ... exhibited an interest in regulating passage, naval rather than commercial transit proved the more contentious".³⁵

The archipelagic states, and in particular Indonesia, as a result of its geo-strategic position, have the potential to enjoy major gains from the new Law of the Sea. These include extended fishing zones and rights to under-sea resources such as oil, gas and especially rare earth minerals. In addition, the transit of commercial vessels generates another important source of income for Indonesia through the need for ports and related facilities. Conversely, unless shipping through the straits is strictly controlled, pollution and in particular a major oil spill could be disastrous for Indonesia's five million people dependent on fishing for their livelihood and subsistence.

There is a growing body of evidence which suggests that major mineral nodes extend from various Indonesian islands into

the sea and that a number of under-sea areas are also likely to contain rich mineral deposits. In order to mine these, new types of dredges are required, of which Indonesia already has two operating. There are considerable benefits in under-sea mining since there is no overburden with its associated removal and disposal problems.

Indonesia's campaign for archipelagic status was justified then, to some extent by a concern for economic, strategic and political factors. But these are underlying elements of a more sophisticated and deeper national concern for recognition as an independent and important nation state. The archipelagic concept consolidated the Indonesian land mass into one nation and the waters surrounding Indonesia's many islands became a uniting rather than a divisive factor:

As a political concept, Indonesia -- in the slogan "one nation, one language, one homeland" -- becomes something more significant than simply a collection of hundreds, or even thousands, of islands.³⁶

The importance of this factor in influencing Indonesia's behaviour should not be underestimated. As Fukuyama points out:

The desire for recognition remains a form of self-assertion, a projection of one's own values on the outside world, and gives rise to feelings of anger when those value are not recognized by other people.³⁷ ... The failure to understand the thymotic component of what is normally thought of as economic motivation leads to vast misinterpretations of politics and historical change.³⁸

This was the case in Indonesia's behaviour in the years immediately following in-

³⁴Tangsubkul and Lai, "The New Law of the Sea and Development in Southeast Asia", 863.

³⁵M. Leifer, "The Security of Sea-Lanes in South-East Asia", *Survival* XXV, no. 1 (January/February 1983): 19.

³⁶Kusumaatmadja, "The Concept of the Indonesian Archipelago", *Indonesian Quarterly* X, no. 4 (October 1982): 13.

³⁷Fukuyama, *The End of History and the Last Man*, 172.

³⁸*Ibid.*, 174.

dependence and was, perhaps, most powerfully expressed in the Soekarno era. It found a particular form in his policies on West Irian and "Confrontation" with Malaysia.

Even after Soekarno's leadership ended, there has remained at the core of Indonesia's foreign policy an extreme sensitivity over national sovereignty and independence which has been driven by the need for international recognition. Some elements of this behaviour are encapsulated by Fukuyama:

In political life, economic claims are seldom presented as simple demands for more; they are usually couched in terms of "economic justice". To dress up an economic demand as a claim on behalf of justice toward oneself can be done as an act of pure cynicism, but more often than not it reflects the real power of thymotic anger on the part of people who believe, consciously or not, that their dignity is ultimately at stake in disputes over money. Indeed, much of what is commonly interpreted as economic motivation dissolves into a kind of thymotic desire for recognition.³⁹

Much of the commentary on the Archipelagic State concept has taken as an assumption that those States whose geography place them in this category derive enormous benefits and advantages through this redefinition of their territory. This assumption can however, be turned on its head as Djalal does when expressing the Indonesian perspective:

[Indonesia's] experience as a colony for more than 300 years had made it aware that its geographical structure, its population composition and its natural resources had made Indonesia a victim rather than a beneficiary of the Law of the Sea in the past.⁴⁰

Furthermore, Danusaputro notes that the "... major maritime powers generally de-

sired to preserve the traditional situation and conception which clearly had given them an advantage in all respects".⁴¹

Indonesia's primary concern was to gain international recognition rather than to restrict or close off transit of her strategic waterways. Given acceptance by the international community of Indonesia as an independent, sovereign and united nation state as well as an archipelagic state, and their recognition of her importance as an actor in maritime affairs, with potentially highly restrictive powers, Indonesia has been able to be generous in giving her consent to uninhibited transit through her waters, but it has only been on the basis of recognition that "... the right of innocent passage of foreign ships forms an integral part of the Nusantara concept".⁴²

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⁴¹Danusaputro, "Wawasan Nusantara ...", 64.

⁴²Kusumaatmadja, "The Concept of the Indonesian Archipelago", *Indonesian Quarterly* X, no. 4 (October 1982): 15.

³⁹Ibid., 173.

⁴⁰Djalal, "Law of the Sea Conference: Other Alternatives for Seabed Mining", 61.

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Capital Mobility: The Case of Indonesia

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Introduction and Motivation

IN the literature, the issue of international capital mobility originated by Feldstein and Horioka (FH) (1980) and Feldstein (1983) is by now well established (Wong 1990). They examined the issue by the relationship between the savings ratio and the investment ratio across countries using cross-section data. If the savings and the investment ratios are uncorrelated (coefficient = 0), it indicates that there is perfect world capital mobility. On the other hand, if both ratios are perfectly correlated (coefficient = 1), it indicates that all the incremental savings in each country remains there. So there is no capital mobility.

The purpose of this paper is to examine the level of capital mobility in Indonesia, referring mainly to the FH approach but based on time series data. The issue will be examined from both short and long-run perspectives. Additional issues such as the dynamic nature of the model and the separate effects of private and government savings on domestic investment will also be considered.

Definition

Capital mobility may be defined as free trade in financial assets, and therefore it is referred to as financial market integration. Under this definition, similar assets should earn a similar rate of return after adjusting for exchange rate risk provided that the tax and regulatory barriers to financial trade are negligible. According to Goldsborough and Teja (1991:6), "the real capital mobility focuses on the ability of a country to freely engage in intertemporal trade. Under this notion of capital mobility, a country wishing to invest more than it saves should be able to do so by borrowing abroad".

Frankel (1989) also mentioned the following distinct definitions of perfect capital mobility:

- *Real Interest Parity:* International capital flows equalize real interest rates across countries.
- *Uncovered Interest Parity:* Capital flows equalize expected rates of returns on countries' bonds, despite exposure to exchange risk.

- *Covered Interest Parity*: Capital flows equalize interest rates across countries when contracted in a common currency.

Literature Survey

FH (1980): FH said, "with perfect world capital mobility, there should be no relation between domestic savings and domestic investment: savings in each country responds to the world-wide opportunities for investment while investment in that country is financed by the world-wide pool of capital" (FH 1980: 317).

Regarding the determination of optimal savings policy FH argued that in a closed economy, the national return on additional savings is the domestic marginal product of capital that should influence the national savings policy. Because the nation as a whole receives both the after tax yield and the tax revenue though the net yield that individual investors receive is lowered by taxes on capital income.

In contrast, in the case of perfect capital mobility the yield to the home country on the additional savings is only the net of tax return received by the investor and not the pre-tax marginal product of capital because the foreign government collects the additional tax revenue if the additional saving is invested abroad. So the optimal savings policy is influenced by the net of tax return received in this case.

They also argued that although the equilibrating mechanism of capital flows among countries to equate net of tax rates of return seems reasonable in the short run, it cannot be observed in the long run. The reasons are: *first*, for most investors, the uncertainties and risks associated with foreign investment are perceived as so great that investment is

restricted to the domestic economy. *Second*, even if all investors were well-informed and eager to seek the highest yield without regard to risk, the full mobility of capital would be impeded by official restrictions on the export of capital. Moreover, the fear of adverse changes in the foreign taxation policy on investment or capital export controls by potential host countries may deter investors from putting capital abroad. *Third*, important institutional rigidities also tend to keep a large segment of domestic savings at home.

FH computed the savings-GDP ratios and the investment-GDP ratios averaged over the period 1960-1974 for a sample of 16 OECD countries. A regression of the investment ratio on the savings ratio yielded a coefficient of 0.887 which is significantly different from zero, but not significantly different from unity. The estimate based on net savings and investment also yielded very similar results (coefficient = 0.938). Based on these regression results, the authors concluded that capital mobility is not perfect and most of the increment to national savings only augments the domestic capital stock. The strong policy implication drawn from this interpretation is that policies to encourage domestic savings will have an effect on domestic investment that is essentially one for one (Obstfeld, 1986: 67).

FH also mentioned that they found no evidence of varying correlation between savings and investment in relation to either the size of the economy or the importance of international trade. They also found no major difference among household savings, corporate savings and government savings in their contribution to total investment.

Feldstein and Bacchetta (FB) (1989): FB's analysis is an extension of earlier work

by FH regarding capital mobility. They also found that an increase in domestic savings has a substantial effect on the level of domestic investment although a smaller effect than would have been observed in the 1960s and 1970s.

Regarding government policies, they argued that because of capital income taxes, a persistent capital outflow diverts domestic savings to investment abroad that has a lower return to the originating nation. If a tax change that encourages private saving is offset by an increase in the government budget deficit, there is no rise in capital formation. If, however, there is a government tax policy to stimulate private investment until it absorbs all of the increase in domestic savings, the tax induced rise in savings does get converted into greater domestic capital formation.

FB consider that government budget balance ratios are "exogeneous" (reflecting political and historical characteristics) and that high deficit ratios crowd out private investment in the traditional way. Similarly, high surplus ratios may "crowd in" private investment.

Dividing domestic savings into two components, private savings and government savings (-deficit), they ran a regression for 13 countries for the period 1971 through 1986 and found that domestic investment responds equally to private savings and to a budget deficit. Their results are as follows:

$$I/Y = 0.019 - 0.89DEF/Y + 0.88PS/Y$$

(0.12) (0.14) (0.10)

[Figures in parenthesis are standard errors].

Where DEF and PS are both inflation adjusted (FB, 1989: 22).

To consider a dynamic adjustment process they ran a regression as follows:

$$I_t/Y_t - I_{t-1}/Y_{t-1} = d_0 + d_1(I_{t-1} - S_{t-1})/Y_{t-1}$$

For 23 OECD countries for the period 1961 through 1986 they found the coefficient of - 0.227 (with a standard error of 0.026) which implies that an investment gap of one percentage point of GDP causes the investment GDP ratio to fall by approximately a quarter of a percentage point in the following year. For the corresponding savings equation the coefficient is -0.036 which is small both absolutely and relative to its standard error 0.024 and of the wrong sign. The data thus imply no response of the savings rate to the investment savings gap.

Goldsborough and Teja (1991): They showed that the upsurge in the gross financial flows (between 1970-1989) has not resulted in significantly larger net inflows of foreign savings for Asian developing countries as a group although it represents a massive expansion in the international trading of risk and maturity transformation. Rather, the most significant impact of increasing financial globalisation on economic growth in developing Asia is likely to stem from more efficient investment.

They argued that savings and investment will hardly be independent of each other if real interest rates are not equalised across countries. For example, a shortfall in domestic savings normally pushes domestic interest rates up which, under perfect capital mobility, is eliminated by an inflow of foreign savings.

Empirical results of 17 Pacific Basin economies over the period 1980-1987 suggest a significant degree of financial integration (for which tests of covered interest parity are

used) and a modest degree of capital mobility (savings investment correlation coefficient is 0.6). The coexistence of closer financial market integration and significant real capital immobility is due to continued substantial differences in real interest rates that in turn largely reflect expected changes in real exchange rates.

Frankel (1989): Frankel supported FH's findings of capital mobility and tried to mitigate some of the criticisms raised against FH's analysis. Regarding the endogeneity problem, he said that FH actually made an effort to handle the econometric endogeneity of national savings, and to handle other sources of endogeneity; they used demographic variables as instrumental variables for the savings rate.

The other econometric critique is that if the domestic country is large in world financial markets, a shortfall in domestic savings will drive up the world interest rate, and thus crowd out investment in the domestic country as well as abroad. In reply to this, Frankel argued that the large-country argument does not create a problem in cross section studies, because all countries share the same world interest rate r^* . Since r^* simply goes into the constant term in a cross section regression, it cannot be the source of any correlation with the right-hand side variable.

Frankel also noted that perfect capital mobility does not imply the international equalisation of *real* interest rates. The interest arbitrage condition of integrated capital markets refers to nominal interest rates only.

Dooley, et al (1987): Regarding endogeneity of national savings, it is said that both savings and investment depend on the rate of growth of national income as deter-

mined, for example, by population growth or productivity growth. The authors mentioned that one solution that has been applied is to add the rate of growth as a second explanatory variable.

They argued that it is important to realise how general the endogeneity argument is. Any economic variable, in addition to the cost of capital that influences the investment rate, will probably be correlated with the national savings rate. If factors, other than the cost of capital, that determine investment happen to be uncorrelated with national savings, then there will be no econometric problem.

Based on the above literature survey, it can be said that although the FH results are criticised on several grounds, they are strong enough to withstand the criticism. Their finding is confirmed by many subsequent studies. With few exceptions, industrial and developing countries with relatively high levels of, or changes in, average saving ratios over the 25 years have also had relatively high levels of, or changes in, investment ratios (Dooley, et al 1987).

Data Issues

All required data for this case study have been obtained from the STARS Database. The source of data is the World Bank and all data are annual. Data on gross domestic product, gross domestic savings, gross domestic investment and the GDP deflator are obtained for 30 years (from 1960 to 1989) for time series analysis. But data on government current budget balance (government savings) and net long term capital inflow are only available for 17 years (from 1972 to 1988) and 20 years (from 1970 to 1989) respective-

ly. All data are obtained as current prices in US\$. These have been transformed into constant prices in US\$ by dividing by the GDP deflator. There is no separate data on private savings. Government savings have been subtracted from gross domestic savings in order to get private savings.

Economic and Econometric Model Specification

As mentioned earlier the issue of capital mobility will be examined based on the correlation between savings and investment ratios. For this purpose several steps have been undertaken in the process of model specification.

Estimation with 30 Years Data (1960-1989)

Following FH, a simple linear equation of the following form has been estimated:

$$(I/Y)_t = a + b (S/Y)_t$$

where $(I/Y)_t$ = the ratio of the gross domestic investment to gross domestic product in period t , $(S/Y)_t$ = the corresponding ratio of the gross domestic saving to gross domestic product in period t , a = constant and b = the coefficient of the saving ratio. Estimated results are as follows:

$$(I/Y)_t = 0.050 + 0.715 (S/Y)_t$$

(0.010) (0.043)

(Figures in parenthesis are standard errors)

R squared = 0.90, R-Bar squared = 0.90, DW = 1.24

The model shows that there is a serial correlation problem.

As savings and investment rates both depend on the rate of growth of GDP, this

growth rate (GRATE) is added as a second explanatory variable to overcome the endogeneity problem as suggested by Dooley et al (1987). Regression results are as follows:

$$(I/Y)_t = 0.057 + 0.69 (S/Y)_t + 0.000072 (GRATE)_t$$

(0.018) (0.06) (0.00028)

(Figures in parenthesis are standard errors)

R squared = 0.91, R-Bar squared = 0.90, DW = 1.21

The serial correlation problem still exists and the growth rate variable is insignificant.

To overcome this problem and make the model dynamic, a separate regression has been estimated adding (one year) lagged dependent variable as an explanatory variable. The one year lagged savings ratio has also been included as an explanatory variable as investment might depend on lagged savings. Some explanation for the dynamics are: they allow for various kinds of forward looking behaviour (reaction to expectations) and adjustment costs; and also the serial correlation problem might be solved. Regression results are:

$$(I/Y)_t = 0.037 + 0.42 (S/Y)_t - 0.11 (S/Y)_{t-1} + 0.52 (I/Y)_{t-1}$$

(0.018) (0.13) (0.14) (0.19)

$$+ 0.00018 (GRATE)_t$$

(0.00025)

(Figures in parenthesis are standard errors)

R squared = 0.93, R-Bar squared = 0.92, DW = 2.23

The results show that there is no first order serial correlation problem now but the coefficients of the lagged savings ratio and the growth rate appear as insignificant. So a variable deletion test has been done and these two variables have been found to be jointly insignificant.

Therefore, the variables lagged savings ratio and growth rate have been dropped

from the model and the new estimated model is of the following form:

$$(I/Y)_t = a + b (S/Y)_t + c (I/Y)_{t-1}$$

Estimated results are:

$$(I/Y)_t = 0.032 + 0.43 (S/Y)_t + 0.41 (I/Y)_{t-1}$$

(0.012) (0.11) (0.15)

(Figures in parenthesis are standard errors)

R squared = 0.93, R-Bar squared = 0.92, DW = 1.97

Now all the coefficients are significant with correct sign and also there are no serial correlation or heteroscedasticity problems. Normality of data is also acceptable (detailed results will be shown latter). So this is the specified economic and econometric model which is the basis of our analysis of capital mobility.

Effects of Private Savings (PS), Government Savings (GS) and Net Capital Inflow (NCI) on Investment

An attempt has been made to see the separate effects of private and government savings on gross domestic investment (like the FB model). Because of a lack of data, a regression has been estimated for only 17 years (1972-1988). Regression results are shown below.

$$(I/Y)_t = 0.019 + 0.26 (GS/Y)_t + 0.21 (PS/Y)_t + 0.68 (I/Y)_{t-1}$$

(0.054) (0.27) (0.18) (0.20)

(Figures in parenthesis are standard errors)

R squared = 0.64, R-Bar squared = 0.55, DW = 2.76

It is observed that government and private savings have almost similar effects on investment but the coefficients of both variables are insignificant here. Also the model suffers from serial correlation problem. The

reason for these drawbacks of the model may be that data for only 17 years are not sufficient for time series analysis.

To examine the effect of net capital inflow on investment, another separate regression has been estimated. Due to a lack of data on net capital inflow, the regression is estimated for only 20 years (1970-1989). Regression results are as follows:

$$(I/Y)_t = 0.024 + 0.28 (S/Y)_t + 0.57 (I/Y)_{t-1} + 0.28 (NCI/Y)_t$$

(0.040) (0.16) (0.18) (0.39)

$$- 0.00065 (GRATE)_t$$

(0.00053)

(Figures in parenthesis are standard errors)

R squared = 0.80, R-Bar squared = 0.74, DW = 2.12

It is seen that the coefficients of net capital inflow and growth rate are not significant. Also the coefficient of the growth rate has the wrong sign. So a variable deletion test has been done and these two variables have been found to be insignificant. But the savings ratio is still insignificant. The reason might be that data of 20 years are also not sufficient for time series analysis.

It is noted that the analysis focuses on gross savings and investment rather than savings and investment net of depreciation for two basic reasons. *First*, it is the gross flow of savings that is, in principle, free to move from country to country in response to yield differentials. *Second*, the accounting definitions of depreciation are very imperfect, especially for a country like Indonesia where there was high inflation in the 1960s and 1972-1974 (Nasution 1983). Errors of measurement in the depreciation estimates would therefore cause a spurious correlation between net savings and investment.

Estimation Method and Estimation Results

The estimation method in the selection of the preferred model is Ordinary Least Squares (OLS) throughout. The investment ratio is regressed on the government savings ratio and the private savings ratio, or the investment ratio is regressed on the aggregate savings ratio only, or the investment ratio is regressed on the savings ratio, the lagged savings ratio, the lagged investment ratio, the net long term capital inflow ratio and the growth rate. Different estimated results are shown above. In our preferred model, the estimation is carried out on the basis of annual data for the period 1960-1989 and the investment ratio is regressed on the savings ratio and the lagged investment ratio. The detailed results are presented below.

$$(I/Y)_t = 0.032 + 0.43 (S/Y)_t + 0.41 (I/Y)_{t-1}$$

(0.012) (0.11) (0.15)

(Figures in parenthesis are standard errors)

R squared = 0.93, R-Bar squared = 0.92, F (2,26) =

164.82, DW = 1.97, LM: CHI-SQ (4) = 1.82

Functional Form, LM: CHI-SQ (1) = 0.44

F: F (1, 25) = 0.38

Heteroscedasticity, LM: CHI-SQ (1) = 0.07

F: F (1, 27) = 0.07

Normality, CHI-SQ (2) = 5.89

Diagnostic Tests

From the DW and LM statistics (up to order 4) presented above, it is clear that the model does not have any serial correlation problem. It is also seen that the test statistics for heteroscedasticity, functional form and normality do not indicate any problems.

To test for the stability of the coefficients both the CUSUM and CUSUMSQ tests are

performed. It is found that both the CUSUM and CUSUMSQ tests remain within the critical bound at the 5 per cent significance level, which implies that the coefficients are stable.

Endogeneity of the Savings Ratio

The question of the savings ratio being endogenous may arise. So the test for endogeneity of the savings ratio is necessary; because if the savings ratio is endogenous, then there is a correlation between the savings ratio and the error term. In such a situation, OLS is not a good estimation procedure.

The Hausman test is performed for endogeneity of the savings ratio. The constant term, the lagged savings ratio and the lagged investment ratio are used as instruments. The use of other instruments suggested by several authors, such as labour force, population growth, unemployment benefit etc., was not possible because of data limitations.

The test involves regressing the savings ratio on all the instruments. This gives us an estimated (or fitted) savings ratio. The Hausman test then involves regressing the investment ratio on the original explanatory variables and the estimated savings ratio. The test for the endogeneity problem is equivalent to the test for the significance of the coefficient of the estimated savings ratio (Maddala 1989: 331). The coefficient of the estimated savings ratio is found - 0.22 with a standard error of 0.28 which clearly indicates that this coefficient is insignificant. There is, therefore, no endogeneity problem of the savings ratio.

Implication of the Results for the Economic Model

From our estimated model we can calculate the short and long run multiplier.

$$\begin{aligned} \text{Model: } (I/Y)_t &= a + b (S/Y)_t + c (I/Y)_{t-1} \\ \text{or } (I/Y)_t &= 0.032 + 0.43 (S/Y)_t + 0.41 (I/Y)_{t-1} \\ &\quad (0.012) \quad (0.11) \quad (0.15) \end{aligned}$$

(Figures in parenthesis are standard errors)

$$\text{Short run multiplier} = b = 0.43$$

$$\text{Long run multiplier} = b/(1-c) = 0.73 \\ (0.07)$$

The long run multiplier of 0.73 with a standard error of 0.07 is obtained from the analysis of function(s) of parameter(s) using microfit.

Therefore, the short run coefficient is 0.43 which implies that, *ceteris paribus*, an increase in the domestic savings of \$1 will raise the domestic investment by 43 cents. This coefficient is significantly different from zero and it is also significantly different from one. So we can say that, based on the FH interpretation, there was capital mobility in the short run, though this mobility was not perfect.

The long run coefficient (0.73) implies that, *ceteris paribus*, an increase in the domestic saving of \$1 will raise the domestic investment by 73 cents. This coefficient is significantly different from zero and also significantly different from one (but less than one). So in the long run, capital mobility was not so evident. That is, long run capital mobility is lower than short run capital mobility, and this is relevant to the economic theory that in the short run governments

have to borrow from abroad if a budget deficit occurs, but in the long run, the economy has to manage the deficit domestically.

From the above analysis, it can be said that Indonesia's savings went abroad and investment was also financed by borrowing from abroad both in the short and long runs. That is why the short-run and long-run effects of the savings ratio on the investment ratio are not one. This capital mobility can be explained based on the economic situation during this period.

From the early 1960s to 1967 and in 1972-1974 the economy experienced hyperinflation due to large budget deficits financed by bank credit. In November 1978, the rupiah was devalued by 50 per cent. Also in the 1970s the financial policy was repressed (for example, the interest rate was lowered). All these reasons caused domestic savings to go abroad and this was very prevalent at the end of the 1970s (Nasution 1983).

The duration of 1967-1972 and 1974-1978 are considered to be the stabilisation and rehabilitation periods. The economy grew at a respectable rate; inflation was controlled and the foreign exchange system was liberalised. These measures helped the real interest rate to be positive and an inflow of foreign capital occurred (Nasution 1983). But in the early 1980s and onward, foreign investment declined again (Robison 1986).

In 1983 and 1986 two large devaluations of the rupiah occurred. The rapid deterioration in the oil market beginning early in 1986 worsened Indonesia's balance of payments and budget position (Rasyid 1992). These situations might also have induced capital mobility.

Conclusion

The FH procedure of measuring the degree of capital mobility is generally criticised on the grounds of the endogeneity problem and the static nature of the analysis. These issues have been considered in this paper. The study finds that the savings and investment ratios are correlated both in the short and long runs in Indonesia, and the correlation between these two ratios is higher (but less than one) in the long run than in the short run. This indicates that, in the light of the FH interpretation, there was international capital mobility, though not perfect and this capital mobility is higher in the

short run than in the long run. A literature survey on Indonesia's economic and financial situations during this period (1960-1989) also points out that capital mobility was present.

However, the FH interpretation that a high correlation between savings and investment ratios implies a low capital mobility is not unanimously acceptable (Obstfeld 1986). There might exist other variables -- such as the existence of a non-traded sector as mentioned by Wong (1990) and government policy pointed out by Bayoumi (1990) -- which would make savings and investment ratios correlated even if capital is perfectly mobile.

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Indonesian Pension Funds: An Analysis of Their Establishment and Fund Raising Institutions*

Bambang Purwoko

Introduction

PENSION establishment in Indonesia should be referred to the implementation of social insurance schemes i.e. Taspen (*Tabungan dan Asuransi Pegawai Negeri*), Asabri (*Asuransi ABRI*) and Astek (*Asuransi Sosial Tenaga Kerja*) so far as those schemes are contributed by employees and employers. The pension establishment under a social insurance schemes in Indonesia contributes to the development of equality between economic and social objectives. The economic objective of a funded pension establishment can direct towards the development of pension funds as fund industries. While the social objective of this establishment is to place a limit on a floor pension benefit in order to maintain a minimum income protection against occupational, death

and old age risks.

There are four major types of pension schemes as social insurance schemes operating in Indonesia since 1974. The *first* is Taspen pension schemes (annuity and saving plans) organised by Taspen for government civil employees. The *second* is Asabri pension schemes (annuity and saving plans) organised by Asabri for members of the Indonesian Armed Forces. The *third* is Astek schemes (provident fund, occupational and death benefit) run by Astek for private sector employees. The *fourth* is employer pension schemes sponsored by the respective employers for their own employees. All government employees are compulsory to join and to make their contributions to Taspen and Asabri schemes for their own (old age) benefits. The membership in the Astek schemes is also compulsory for the private sector employees, however, their employers make contributions to the Astek schemes on behalf of their employees. Additionally, all employers are encouraged by the government to sponsor pension plans for their own employees although they have insured their employees into Astek provident fund.

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Taspen, Asabri and Astek are definitely social insurance systems established by the government regulation to cover pension schemes for paid employees. Such pension schemes are basically compulsory employees saving accounts (CES) where the size of those accounts depends upon their contributions and the investment earnings of those contributions. As those schemes are contributed by the employees, the major earnings of Taspen; Asabri and Astek are investment earnings on the investment of the accumulated contributions in permitted investment outlets. Specifically, there are additional earnings of Astek which mainly derive from the additional contribution of occupational, death and health insurance schemes.

This paper sets forth the background of pension establishment in Indonesia since the Dutch colonial government in the 1920s in order to identify the development of private pension plans. The discussion will be continued to examine the background of the establishment of Taspen's and Asabri's schemes. The following section will be focused on the study of Astek establishment in 1978 and on the potentials of employer pension plans as independent private pension plans. The last section will address pension establishment as fund industries. Finally, the reminder of this section is to conclude pension funds as a social insurance system of Indonesia (SISI) and as fund raising institution (FRI).

The Background

The first pension fund in Indonesia, introduced by the Dutch colonial government in the 1920s, was the employer sponsored

pension fund (BAKN, 1970:2).¹ Under this scheme, only a few indigenous Indonesians working for the Dutch owned companies were covered (Sumintapura, 1991:6).² Finally, the scheme was undeveloped and failed to be categorised into a national pension system as its coverage was limited to a few employees of Dutch agricultural commercial companies. In addition, it had no impact on further development of pension plans for the private sector employees in the post-independence period (1945-1949). However, as the development of private pension plans remained undeveloped in late 1949, the government introduced a pay-as-you-go pension plan for its employees in the 1950s³ which was considered as the first defined benefit pension plan in Indonesia.

In 1963 the government introduced a Taspen saving insurance plan to provide employees with a lump sum benefit after retirement. The objective of this benefit was to supplement an annuity benefit which was not considered sufficient to make a means of support. It was the first defined contribution

¹BAKN (*Badan Administrasi Kepegawaian Negara*) which is the acronym for the State Civil Servant Administration Board develops a pension guidance which indicates that the background of pension establishment during the Dutch colonial government was included in the category of employers pension funds developed within the Dutch companies for their own employees.

²An interview between the Vice Minister of Finance and the Reporters of *Warta Ekonomi* on 1 July 1991 was made as a result of proposing a new pension bill to replace the Dutch Colonial Government law concerning pension funds such as the Ordinance No. 377 of 1926.

³BAKN Guidelines for Pension Administration indicates that the first public plan in Indonesia was based on the Government Regulation No. 34 of 1949 on the provision of pay as you go pension plan for government employees and that for widow was based on the Government Regulation No. 35 of 1949.

plan which was managed directly by Taspen⁴ and extended as the first social insurance program. The advantage of implementing a pension plan under this social insurance system was that the contribution to the funds was paid directly through a regular incoming stream of employees' earnings. As a result of the regular incoming stream, Taspen was able to accumulate employees' contribution as the investment accounts. There were three main characteristics of the growth of the investment accounts. The first was largely contributed by all government employees. The second was that the increase in pension contribution was due to changes in employees' earnings. Third, the continuous contribution of the plan was affected by the compulsory membership of the plan for all employees.

As the successful financing in a savings plan by the employees resulted in the accumulation of the investment accounts, the government considered to change the financing of a pay-as-you-go (annuity pension) into a funded (annuity pension) plan. This implies that pension programs in Indonesia were basically a savings pension plan, so the employees were eligible to pay the contribution to the plan for their own future benefit. As a result, a pay-as-you-go pension plan introduced in the 1950s was changed into funded plan in 1974 (Kertonegoro, 1982: 151-152). Yet, pension benefits would be updated by Taspen in line with price inflation and any shortfall in meeting the benefits was the government's responsibility.

The government's responsibility to meet any shortfall of benefits for retired employ-

ees was directly related to the problem solution over inadequacy of past and future liability. It was implicitly the result of the low contribution and the low wage of employees. However, any shortfall of benefits met by the government did not seem to be significant owing to the investment management of fund currently being managed by Taspen, so it was less efficient. This differed from a fully funded pension plan currently being run by Astek. Under a fully funded plan, the contribution to the plan as payable directly by the employees could meet the adequacy of future liability.

However, the effect of the conversion of (Taspen's annuity) pay-as-you-go pension plan to funded pension plan went on accumulating the investment accounts to meet the investment demand required by the government in the 1970s. As a result of developing funded plan, the private sector employees were indirectly motivated as a financial tool. There were two main factors affecting the promotion of funded pension funds in Indonesia relating to social insurance system. The first was that application of a social insurance system to Indonesian pension funds had been relatively successful in accumulating the incoming funds. The incoming funds of Taspen's pension programs were predictable by the constant number of government employees. In other words, it was single coverage of employees. The second was that the government's intervention developed pension plans for the private sector employees following the establishment of Astek provident fund in 1978.

Pension funds developed very rapidly after the introduction of Astek schemes for all paid employees and achieved its peak after the 1980s. However, the sponsored pension plans by employers for their own

⁴Taspen is a public enterprise established by the government to organise public pension schemes such as pension annuity, pension saving and health care for government employees.

employees remained undeveloped until 1980 as a result of the government's ignorance to encourage employers to comply with sponsoring the plan. The failures in developing the plans were due in part to the difficulties in formulating the legal provision of the plan and in setting the investment objectives of the plan. In addition, a barrier to develop private pension plans was associated with the government's absence to encourage employers to sponsor the plan and the problem of undeveloped private insurance sectors remained in the beginning of the 1970s.⁵ As employer pension funds remained difficult to be officially established, however, the significance of pension establishment was devoted to Astek with a particular program. Considering that Astek was of particular interest in covering more private sector employees, the government committed to develop it for private sector employees in 1978.

Pension Programs in Indonesia

The most significant development of pension in Indonesia had to be coupled with the implementation of social insurance system covering pension, savings scheme and provident fund for paid employees (Esmara and Tjiptoherijanto, 1976: 57).⁶ By the

⁵The most significant of those difficulties in developing pension plans for the industrial workers or the private sector employees before the 1980s were related to a few number of life insurance offices. For example, there were only 13 life insurance offices operated to develop term and endowment insurance schemes (see *Key Indicators Indonesian Insurance Industry, 1977-1981*).

⁶There are two categories of employees: unpaid and paid employees. Unpaid employees are defined as those working for informal agricultural sector which are not being covered under Astek. Paid employees in this study are defined as government employees and private sector employees.

1990s there were four major different pension programs managed by different organising boards (see Diagram 1). They were Taspen, Asabri, Astek and Employers sponsored pension funds designed as protection system against old age and death risks. Taspen and Asabri are a protection system designed for implementing funded system to provide annuity and saving plan for government civil employees and Armed Forces personnel. Astek is a protection system developed to provide basic benefits i.e. provident fund, death and occupational benefits for all the private sector employees. And Employers Sponsored Pension Funds (ESPFs) are pension plans sponsored by employers to supplement pension benefits for their owned employees.

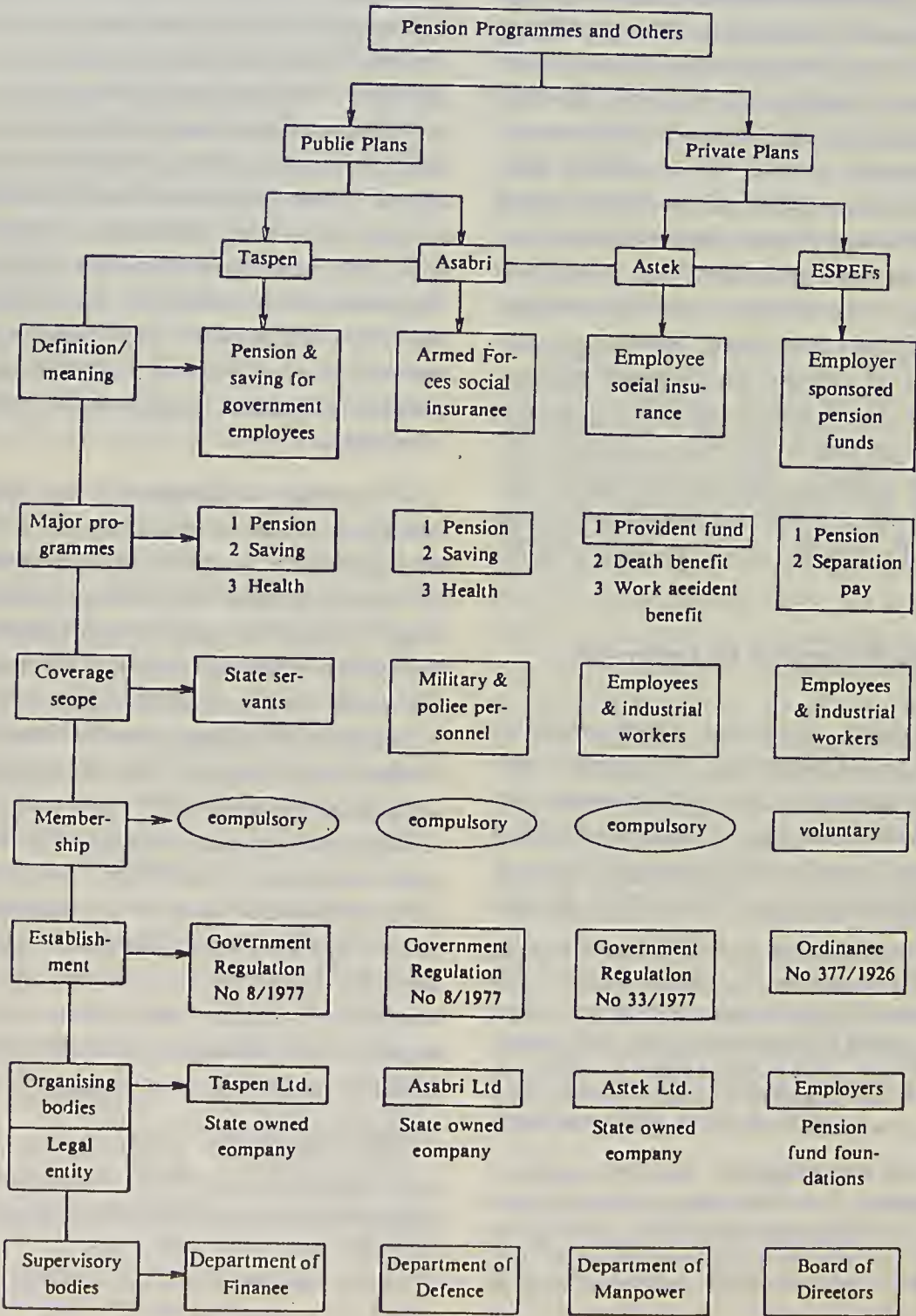
As evident in Diagram 1 the Taspen, Asabri and Astek pension schemes have been implemented as a social insurance system to provide employees with annuity and saving plans coupled with any other programs like health care, death and occupational benefits. The social insurance system means that the financing of all schemes must be contributed by employees' earnings. The membership of these plans in particular Taspen and Asabri includes government employees and that of Astek was made compulsory for all private sector employers.⁷ Astek was established by the government responsible for the management of its schemes for the private sector employees,⁸ though until recently not all employees have been covered by this plan. In addition, to insure their employees Astek

⁷Astek schemes such as provident fund, death benefit and occupational benefits were established by the government under the Government Regulation No. 33 of 1977.

⁸Perum Astek was established by the government under the Government Regulation No. 34 of 1977.

Diagram 1

THE SOCIAL INSURANCE SYSTEM IN INDONESIA



provident fund, all employers are eligible to sponsor pension plans for their own employees. While the membership of insured pension plans under life insurance offices is voluntary for every employee wishing to have a plan including the self employed.

There are two main objectives in developing compulsory pension plans for paid employees. The first is to provide uniform pension benefits for all employees, the second is to efficiently manage the regular stream of incoming funds into capital development. Currently the regular stream of incoming funds has been accumulated as investment accounts and will be consumed by retired employees after working for approximately 20 to 35 years. Currently, these accumulated accounts have been major sources of capital for long term investment funds.

The majority of pension contributors were relatively young as they began making payments of their contribution to the plans at the age between 20-29 years, accounting for 70 per cent of total covered employees.⁹ The number of the prospective younger population as new entrants aged between 20-29 years will be expected to increase more rapidly than the number of older people until the year 2020 and they will be covered automatically by Astek provident fund.¹⁰

The success in developing Astek provident fund for private sector employees has

⁹See *Statistik Taspen* (1990) and *Astek Factbook* of 1991: The number of government civil employees and the private sector employees as currently covered into the plans were 8 million. There were 5.6 million employees as young contributors at between 20-29.

¹⁰Ananta and Arifin (1991) argue that fertility decline will stall after 2005. The total fertility rate between 1985-1990 and 2000-2005 was 3.3 and 2.2. Using net reproduction rate equal to 1 in 2000-2005, the total fertility rate will fluctuate around 1.80 in 2020.

been extended to encouraging employers to sponsor pension plans known as employer pension plans. However, its success depends upon government's intervention and investment facilities. The facilities are expected to support the investment management of funds, such as, for example, the investment guaranteed companies. For the government, the development of mandatory employee social insurance (Astek provident fund) was presumably the reason for the accumulation of the investment accounts. The prospective Astek funds can be raised from the extension of its coverage across the potential number of the younger working population, accounting for approximately 60-55 per cent of total labour force over 1970-1985 (CPS, 1989: 59).¹¹

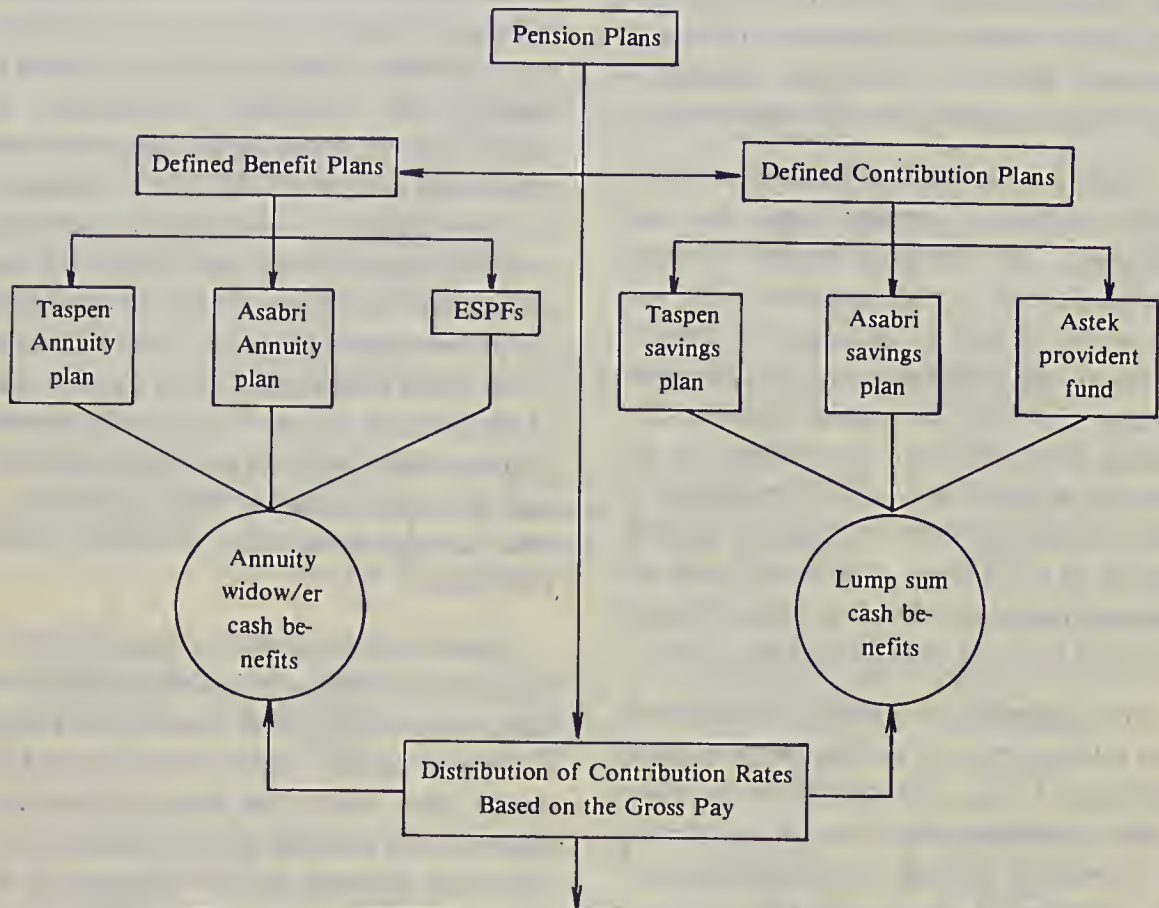
Based on the prospective large number of the younger working population, Astek will have more accumulated funds than Taspen in the next decade. Astek provident fund is a simple plan where the level of provident fund benefits received by workers upon their retirement depends on the accumulated accounts plus a promised rate of interest prepared by Astek. It is rated by Astek depending upon the investment performance of the fund. The following types of pension plans currently operating in Indonesia have been extended to include the development of *DBP* for the private sector employees.

Based on the coverage scope applied to different pension programs, Taspen and Asabri are categorised into public pension plans and Astek and ESPFs are private pension plans (see Diagram 2). In this context, the government permitted all life insurance offices to develop insured pension plans to

¹¹Total labour forces were between 49 million in 75 and 67 million in 1985 (CPS, 1989).

Diagram 2

TYPES OF PENSION PLANS IN INDONESIA



Plans	Employee	Employer	Total
Taspen annuity	4.75%	none	4.75%
Asabri annuity	4.75%	none	4.75%
ESPFs	15.00%	20.00%	35.00%
Taspen saving	3.25%	none	3.25%
Asabri saving	3.25%	none	3.25%
Astek P.F.	1.00%	1.50%	2.50%

cover all self employed i.e. general practitioners, solicitors etc. wishing to have their own plans. The organising boards of pension plans are government owned enterprises known as public enterprises and those of ESPFs are private owned. In implementing their schemes, Taspen and Asabri have been internally controlled by the Department of Finance and the Department of Defence & Security, while Astek has been under the assistance by the Department of Manpower.

The government considered that Astek schemes that may give more opportunities to more workers are more significant than the establishment of employer pension funds which placed a limit on the coverage of employees. By introducing a mandatory Astek provident fund, the government intended both to provide uniform coverage and uniform basic protection for all the private sector employees and indirectly develop Astek as long term institutional investor.

As can be seen from Diagram 2, the low benefit of Astek provident fund arises because the contribution rate to the fund was fixed at a low rate of 2.5 per cent of employees' wages.¹² This stated rate of contribution accords to the employers' and employees' financial capacity. The rate of contribution to Astek provident fund was made low to take more opportunities to prospective employees with subsistence income level.

The number of membership in Astek began to increase after the 1980s. The number of membership in Astek provident fund had been 2.5 million in 1985 and rapidly increased to 4 million in 1990 (Astek Fact

Book, 1991: 19). The large membership in Astek provident fund was largely due to the compliance cooperation between Astek and the Department of Manpower. The result of the compliance has succeeded in covering more employees as Astek has power to expand its coverage among the labour force. In extending its coverage, Astek has cooperated with the Departments of Home Affairs and Manpower to cover more potential workers and the operating cost of the cooperation has been at the expense of Astek. The cooperation is then extended to make or permanent working group represented throughout tripartite members i.e. employers' association, workers' union and the government whose main duties are to give assistance to the coverage of prospective workers into Astek schemes.

In response to the increased coverage of employees, the accumulation of the investment accounts has been automatically increased. The increased coverage of employees has been the most important factor for Astek. This implies that it increases as the large number of new entrant joins the plan. Finally, it contributed largely to the growth in pension asset-liability. Consequently, the increased number of covered employees under pension plans in Indonesia has a widespread impact on the accumulation of pension investment assets after 1977 (see Chart 1).

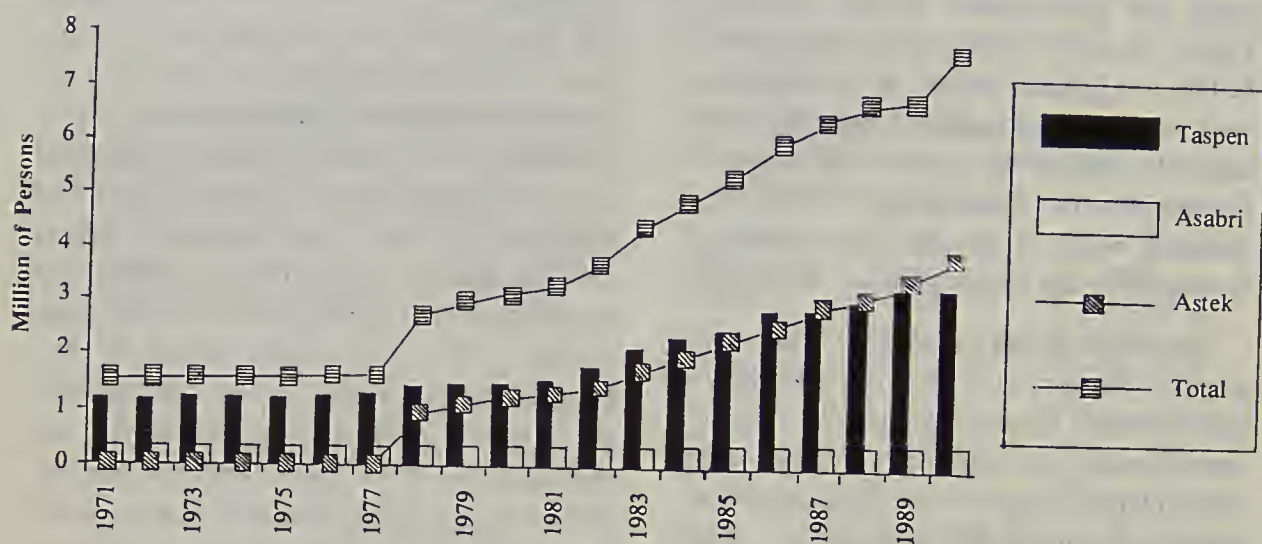
Chart 1 illustrates the growth in the number of employees covered by the various pension schemes based on Taspen, Asabri and Astek coverage of paid employees. The number of government employees covered by Taspen and Asabri schemes¹³ was re-

¹²See Government Regulation No. 33 of 1977: The contribution rate as imposed on provident fund was fixed at a low rate of 2.5 per cent of employee's gross pay.

¹³Taspen and Asabri schemes automatically include the coverage of government employees upon annuity benefit and saving plans.

Chart 1

THE COVERAGE OF EMPLOYEES UNDER PENSION PLANS



Sources: Department of Finance, Taspen, and Astek.

lately stable between 1971 and 1980 and increased only slightly after 1981, because of the constant number of civil servants. By 1990, employees covered by these schemes numbered 3.5 million and 0.5 million respectively.

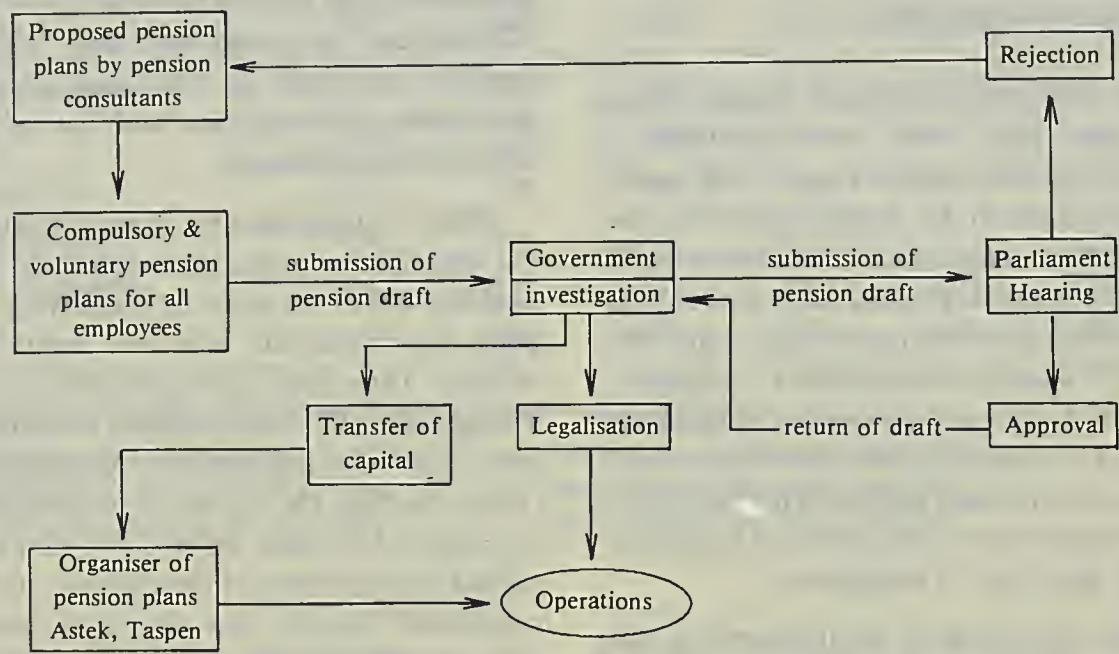
In contrast to the coverage of employees under Taspen, the coverage of private sector employees under Astek provident fund increased sharply between 1978 and 1988 and after 1988 the number of workers covered under Astek exceeded the number of covered by Taspen. The rapid development of covered employees under Astek provident fund was due to the intensively compliance program which has been directed towards the coverage of a number of potential employers and employees.

The number of Armed Forces personnel covered by Asabri programs has remained constant, because of an upper limit on the number of the Armed Forces personnel. This means that the total pension assets under Asabri programs has declined in relative terms. In 1990 they accounted for less than 5 per cent of the overall investment assets under pension funds.¹⁴ Chart 1 shows the relative growth rate of employees covered and the changing relative importance of Taspen, Asabri and Astek coverage.

¹⁴The total investment assets of Asabri schemes by 1990 were $\pm$ Rp.200 billion -- such an amount accounts for less than 5 per cent as compared with Rp.9,000 billion (total pension assets among Taspen, Astek and the private plan).

Diagram 3

PROCEDURE TO PROPOSE PENSION PLANS IN INDONESIA



The reason to promote the sponsorship of pension funds by employers was closely related to the rapid growth of Astek membership. To do so, the association of Indonesia's pension funds (*Asosiasi Dana Pensiun Indonesia* abbreviated as ADPI) in cooperation with pension consulting groups have proposed its plan to the government to legalise employer pension funds in 1985¹⁵ as part of Indonesian funds. Pension consulting groups in this context were the parti-

cular experts in the area of insurance, finance and actuarial science. Thus, the procedure to propose pension plan is presented in Diagram 3.

However, the procedure to propose pension plans needed more time than the preparation of the proposal at less than one year. The submission of the proposal includes the development of debate between the government and parliament members in order that the bill be legalised into the law, although there was no objection from the parliament to approve ESPFs. Prior to the passing of the pension bill to law of 1992, the government had encouraged employers to establish pension funds as separate legal entities in the interest of their employees. De-

¹⁵ADPI (*Asosiasi Dana Pensiun Indonesia*) or the association of Indonesia's pension funds is an independently non-profit organisation whose main function is to represent its members in organising seminars, conferences and workshops on pension funds.

spite this, not all had done so and some of those who had attempted that had to face unresolved problems.

Public Pension Plans

As previously explained, Taspen saving insurance plan which was established in 1963¹⁶ has been regarded as the first public pension plan to be made compulsory for government employees. Achievements in developing public pension plans were subject to the changes in the contribution rates over 1963-1977 and the separation of the management of Asabri military pension programs in 1971. The changes in the contribution rates of funds were made adaptable to the changes in the application of contribution from basic pay to gross pay of employees.

The separation of the management was to change the provision of pension benefit rather than to develop corporation of pension plans. Development of pension schemes is included in the category of establishing special public enterprise to improve the efficiency in managing pension schemes for military and police personnel. Although the Asabri pension schemes by Taspen were efficiently managed, it was better to separate the management of Asabri's pension schemes.

The separation of public pension plans is due to the importance of managing separate funds. A total contribution of 7.5 per cent was required from the government employees' earnings of which 4.25 per cent was distributed to an annuity retirement plan and

3.25 per cent to savings insurance. In 1977, the total contribution of the funds was increased to 8 per cent of employees' earnings (see Table 1).¹⁷ Of this, 4.75 per cent was distributed to an annuity retirement plan and 3.25 per cent to savings insurance. Similar changes were made in both plans for the government civil employees and that for the armed forces personnel.

Table 1 summarises the changes made in the contribution rates since 1963 and the modification of the plans by simplifying the plans into a pension plan and health insurance. These plans that have been set by Taspen since 1974 have remained unchanged until now. As indicated by Kertonegoro (1982: 132-33a), the changes in the contribution rates of the plan before 1974 were not related to the purpose of the provision of the employees' benefits, that the most significant pension plans for government employees are savings insurance and annuity pension plan.

The changes in the basic legal provision of pension funds and in the contribution rates arose because the initial funding of public pension plan faced financial difficulties. In 1974 Taspen and Asabri annuity pension plans have been coupled with a saving insurance scheme designed to provide all government employees with overall pension benefits: such as lumpsum and annuity benefits. In other words, there was an obligation for government employees and the military and police personnel to pay additional contributions for an annuity pension plan after 1974.¹⁸

¹⁶The social insurance schemes for government employees were established under Government Regulation No. 9 of 1963; the establishment of savings insurance was based on Government Regulation No. 10 of 1963 and that for the employees' benefit fund was based on Government Regulation No. 11 of 1963.

¹⁷Based on Presidential Decree No. 8 of 1977.

¹⁸Application of the financing system to the annuity plan was made as funded plan based on Presidential Decree No. 56 of 1974.

Table 1

CHANGES IN CONTRIBUTION RATES ON TASPEN SCHEMES
(in Per Cent)

Schemes	1963 ^a	1963 ^b	1969 ^c	1970 ^d	1974 ^e	1977 ^f
Saving Insurance	7.00	3.50	3.50	1.25	3.25	3.25
E.S.B.	3.00	1.50	1.50	0.66	n.a.	n.a.
Health Care	n.a.	5.00	3.00	3.89	2.50	2.00
Cooperatives	n.a.	n.a.	2.00	0.42	n.a.	n.a.
Annuity Benefits	n.a.	n.a.	n.a.	n.a.	4.25	4.75
Total	10.00	10.00	10.00	6.22	10.50	10.00

Source: Kertonegoro, 1982; E.S.B. (Employee's Supplementary Benefits).

^athe Government Regulation No. 9 of 1963

^bthe Presidential Decree No. 122 of 1963

^cthe Presidential Decree No. 56 of 1969

^dthe Presidential Decree No. 22 of 1970

^ethe Presidential Decree No. 56 of 1974

^fthe Presidential Decree No. 8 of 1977

Separation of Public Pension Plans

Two distinct public pension plans which are currently operating in Indonesia were identified in the previous section: the first was the pension plan for government civil employees, which has been implemented by Taspen since 1963,¹⁹ the second was the pen-

sion plan for members of the Armed Forces which has been separated from Taspen's control and has been managed independently by Perum Asabri since 1971. The separation of these pension plans between Taspen and Asabri was subject to different regulations²⁰ and was aimed at developing corporation of the plans and to improve the members' service.

The reason to separate the plan is, however, due to the different system of retirement age which applied to the members of the Armed Forces (Kertonegoro, 1982: 141-42b). For example, the eligibility to the bene-

¹⁹PN Taspen was as a state enterprise established on 17 April 1963 under Government Regulation No. 15 of 1963. In 1969, all state enterprises were modified by the government as state owned corporation (BUMN) and, the BUMN has been distinguished into three types of legal entity: *first*, department agency (*Perjan*) operated under the government budget; *second*, public corporation (*perum*), to serve public utility operated outside the government budget; and *third*, a government ownership of corporation limited by its shares (*Persero*) applies to profit oriented corporations. Immediately the form of Taspen's legal entity was amended from PN to Perum under the Law No. 9 of 1969 and, Perum Taspen which was changed to P.T. (*Persero*) Taspen was based on Government Regulation No. 25 of 1982 (Kertonegoro, 1982: 136).

²⁰Asabri schemes that provide savings insurance based on Government Regulation No. 44 of 1971 and annuity retirement plan based on Law No. 6 of 1966 were annexed with health insurance based on Presidential Decree No. 230 of 1968; whereas Perum Asabri as the organising board of its schemes was established by the government under Government Regulation No. 45 of 1971.

fits withdrawal for government civil employees has been fixed at age 55²¹ irrespective of rank, whereas the eligibility to the benefits withdrawal for military personnel and police officers have been subject to the classification of rank.²²

Nevertheless, early retirement can be arranged both for government civil employees and the military personnel. It has been fixed at a maximum of 20 years of service or in the event of sickness or disability resulting from the performance of official duties where the employees are entitled to pension benefits. The benefits promised under Taspen and Asabri annuity plans both for normal, early retirements and in the case of disability is fixed at 1,875 per cent of final salary p.a. times the length of services. Specifically, early retirement can be met by government civil employees after a minimum of 15 years of services and that of the military personnel after a minimum tenure of 10 years.

In the event of the employee's death prior to the normal age retirement, the annuity retirement benefit given to the widow or widower is fixed at 1.35 per cent of annual gross salary times the number of years of service. In the event of the retiree's death after retirement the benefit that was given to the widow or widower is fixed at 0.9375 per cent of annual gross pay times length of service

(Kertonegoro, 1982: 15c). Although the promised benefits under Taspen and Asabri plans are based on international standard between 1-2 per cent of length of service times final gross pay, the benefits remain low. The government recognised that the cash value of the annuity benefits received by retirees remains low, because of the low contribution and the low gross pay.

The Problem of Managing Public Pension Plans

As mentioned earlier, the major problem of public pension establishment in Indonesia was due to the provision of insufficient annuity benefits that is linked to the low earnings of the employees. The pension benefits remain low upon their retirement. This implies that the management of Taspen annuity plan is more risky than that of Taspen saving plan, because of the promised benefits provided until the death of retired employees. To provide the benefit until the death, the financing of the annuity benefits is also the responsibility of the government. In response to this responsibility, the financing of Taspen annuity plan in Indonesia has been almost fully funded by the employees.

There was reason for the government (i.e. the Department of Finance and the State Secretariat of the Republic of Indonesia) to retain management of the annuity retirement plan between 1974 and 1984, because of problems which arose from inadequate past service liability.²³ Some of those problems arose because pension con-

²¹See Law No. 11 of 1969 and Government Regulation No. 10 of 1963 concerning the entitlement to (normal) retirement benefits, which has been fixed at age 55, for both male and female employees.

²²The requirements to retire for Armed Forces personnel are subject to the following ranks. The normal retirement ages for higher ranking officers were fixed between 55 and 60 years; senior and field grade officers were fixed at 55 years; non-commission officers were fixed at 48 years and that for lower non-commission officers were fixed at 42 years.

²³See (Winclevoss, 1977: 72). Inadequate past service liability arose because pensions contributions credited for service rendered were insufficient to fulfill accumulated benefit obligations.

tribution was relatively low at the rate of 4.75 per cent of employee's earnings. In addition, there was no solution over the problems of inadequate past and future service liabilities as the government undertakes to pay any shortfall of Taspen future benefits upon the retirement of its employees.

Those problems needed to be solved by increasing the contribution to Taspen annuity benefit whereby the government should make contribution to the plan on behalf of its employees. As long as the benefits remain low, Taspen and Asabri are required to rate annual indexation with COLA (cost of living adjustment), however, it remains insufficient because of the low pay. The additional annuity benefits that the government should pay vary between 40-50 per cent of total actual retirement incomes.²⁴ The pension budget is transferred annually to Taspen and Asabri to meet the required pension benefits received by retired employees.

Theoretically speaking, the only solution to the problem which arose from inadequate past service liability according to Hattari²⁵

was to increase the current rates of contribution particularly for the older age groups between 10 and 15 per cent of employee's gross pay. A problem arose for Taspen and Asabri to increase the required rates of contribution at 10-15 per cent of employee's earnings as long as the salary and wages of government employees were still under subsistence level.

Another potential problem was compounded by the inefficiency in managing the investment risks of fund's assets and the effect of this on the investment of funds has made funds suffer from any investment shortfall in the long run. Such a problem was mainly due to lack of skilled employees in the area of pension economics and investment within governmental institutions. This has resulted in a conservative investment policy that has been made by all investment managers of funds in particular the allocation of fund investment accounts to risky financial assets. In 1982 an attempt to encourage efficiency in managing the investment accounts of Taspen was made by changing its legal entity in order to have access to make self investment. However, it was perhaps prohibited. Although the corporate structure of Taspen was already changed from a corporate public structure (*Perum*) to a more commercial structure (*Persero*) and a more independent of government control, it failed to materialise.

Changes in the form of the corporate structure of Taspen since 1982 have not affected the management of investment portfolios. In other words, the investment management has to obey the government regula-

²⁴For example, a high ranking government officer in Indonesia with his or her annual gross pay of US\$6,000 will receive annuity pension benefit from Taspen at about US\$4,200 (70 per cent). Assuming that his or her life expectation is about 15 years, so the pension benefit he or she received is US\$63,000 (15*US\$4,200). His or her maximum contribution to Taspen annuity plan plus the actuarial rate of interest accrued to his or her accounts to Taspen's annuity plan is about US\$35,000. The government is responsible to add to the rest of annuity pension benefit at US\$28,000.

²⁵By 1990 almost 4 million government civil employees were covered by Taspen under its fully funded schemes (*Taspen's annual report, 1990*). The majority employees that Taspen covered were relatively younger age groups. They accounted for 70 per cent of total government civil employees, which represented the main contributors to fund's assets. The classification of

younger age groups varied between 21-30 (40%) and 31-40 (30%); whereas the rest varied between 41-50 (10%) and 51-55 (20%). (*Statistic Taspen, 1990*).

tions i.e. the restrictions of pension funds to make self investment by self regulation. The investment restrictions have not encouraged the investment motivation of Taspen towards a dynamic investment environment instead of applying a very safe investment strategy. In response to avoid the investment practice overseas, the investment restrictions overseas were imposed for all fund industries.

Private Pension Funds

Private pension plans in Indonesia in this study consist of two main different schemes: viz, the mandatory Astek schemes (MAS) and voluntary employers' pension funds. The introduction of the Astek schemes which provide private sector employees with a very basic protection such as provident fund, occupational and death benefit came into effect in 1978 and should be extended to cover the whole segment of workers. Employers' pension funds were implicitly real funds sponsored by the respective employers for their own employees with real benefits. Nevertheless, employees will benefit from two schemes if their employer has sponsored funds unless they can benefit from joining the Astek schemes as not all employers have sponsored funds.

Development of Astek Provident Fund for the Private Sector Employees

In response to the technical difficulties in the promotion of ESPFs for private sector employees, the government began to develop employees' provident fund under social insurance schemes for private sector employees (Astek) in 1978. The success in developing

Astek provident fund was that the contributions to the plan has been relatively small (at 2.5 per cent of employee's wages). There was not any response from all concerned parties i.e. employers, employees and the government. In this context, the government has intervened to help in the compliance operations of the Astek plan since 1978. There was reason for employers to accept one of the Astek plans and to join the provident fund as a kind of pension plan for private sector employees.

It was the simple plan and was significant in the development of a defined contribution plan. And the contribution rate of 2.5 per cent was divided between employer and employees with 1.5 per cent being funded by the employer and 1 per cent being levied on the employee's earnings. Employees are entitled to benefits of 2.5 per cent of their wages contributed to the plan plus the interest earnings when they are retired at 55.

The coverage of prospective workers under Astek plans has been mandated to cover all of the privately employed labour force. Because of the mandatory scheme. Astek has a broader contribution base than Taspen's which is limited to public employees only. By 1990, almost 4 million employees or 29,000 employers were covered by Astek schemes (*Astek Fact Book*, 1991: 19).

The current development of private pension programs in Indonesia has to be referred to the provision of Astek provident fund benefits for private sector employees. Therefore, Astek schemes have developed as a national pension system since one of its schemes was designed for the provision of basic old age protection. Nevertheless, employers' pension funds has been less developed unless the plan be mandated to all

employers. The government's difficulties in encouraging the sponsorship of pension funds for all employers were due to two major problems. The first problem is related to large scale industries in that they have not sponsored the plan for their own employees but they insure all their employees in life insurances. The second is concerned with medium and small scale industries where they continue to insure their employees under Astek provident fund. They do want to develop a pension plan for their own employees.

Until 1990, there was only one single type of private pension plan designed for the private sector employees: that is, Astek employee provident fund, this is because employers sponsored pension funds are not compulsory for all employers. Astek provident fund serves as defined contribution plan and the employers sponsored pension funds were designed as defined benefit plan.²⁶ Consequently, growth of the latter has been constrained by the limited sponsorship of this plan by employers while the coverage of employees under Astek provident fund continued to increase. It was affected by the effect of the compulsory membership in Astek provident fund.

However, as Astek has no power to extend its coverage across the prospective paid workers (see Diagram 4), Astek has lowered the coverage requirements. In the beginning of its establishment, employers with a minimum of 100 workers and/or having a payroll

of at least Rp. 5,000,000,- ($\pm$ US\$5,000) per month were required to insure their employees into Astek provident fund. After 1986 the coverage requirement to join Astek provident fund has been made compulsory for small-scale industries employing at least of 25 workers and/or having a payroll of at least Rp. 1,000,000,- ($\pm$ US\$1,000) per month. The lowering of the coverage requirement slightly affected the increase in workers covered under Astek provident fund although they accounted only for 16 per cent of total paid workers in 1990.

For Indonesia, the extension of the coverage of prospective paid workers could require cooperation with the government although it is compulsory. In response to this cooperation, there was a different perception with regard to the implementation of the compulsory programs in developed countries and Indonesia. Unlike in developed countries, the compulsory pension programs in Indonesia purport to encourage employees and employers to comply with the scheme, so that a cooperation with the government is needed and its success depends upon the compliance cooperation between Astek, employers and the government.

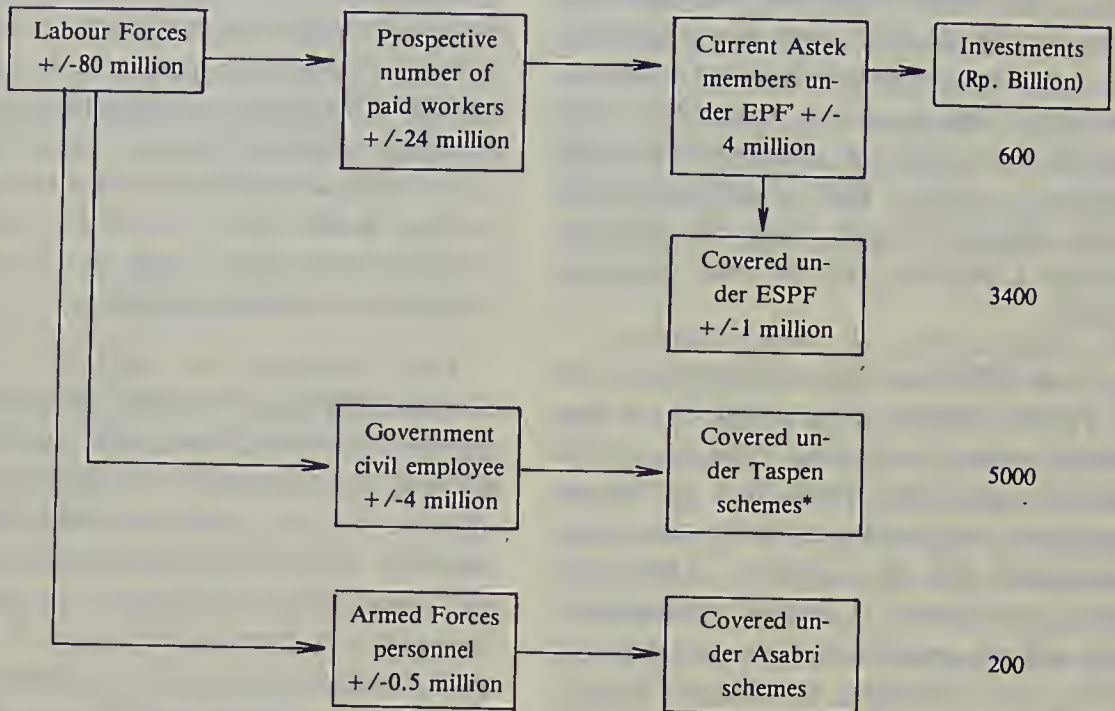
In this context, the introduction of Astek provident fund is to encourage all workers to join forced savings as part of their earnings with Astek where the withdrawal of their accounts is fixed at 55 years. Another advantage of Astek provident fund is to cover pension plans for private sector employees as they have not yet been covered under the employers pension funds. When Astek was introduced to employers in late 1977²⁷ -- there

²⁶See Bodie (1989): Under a defined contribution plan, benefit levels depend on the total contributions of employees and the investment earnings of the accumulations fund. In a defined benefit plan, the employees pension benefit entitlement is determined by a formula in Indonesia equal to 1-2 per cent of the number of years of service times the final wages.

²⁷Hattari, Sri Mardji, Kertonegoro, and Sumantoro (1976-1977): The founding fathers of Indonesia's social insurance (Taspen, Asabri and Astek).

Diagram 4

THE PROSPECTIVE & CURRENT COVERAGE OF PAID EMPLOYEES
AND THE INVESTMENT FUNDS UNDER PENSION PLANS IN INDONESIA (1990)



*including Taspen saving insurance Rp. 1600 billion
Taspen annuity pension Rp. 3400 billion

Table 2

THE COMPOSITION OF ASTEK SCHEMES AND THEIR CONTRIBUTION RATES

Schemes	Defined as	Contribution rates	Composition of funds ^a	Funded by
Provident fund	Lump sum benefit	1.5%	± 60.0%	Employer
		1.0%		Employee
Employment insurance	Accident benefits	1.0%	± 30.0%	Employer
Death insurance	Death benefits	0.5%	± 10.0%	Employer
Total		4.0%	100.0%	Employer Employee

Source: the Government Regulation No. 33 of 1977 and Astek Fact Book 1988, (a) is modified by calculating the composition of accumulated funds to the respective plan from a financial report of Astek.

were only 23 employers sponsored funds for their employees and until 1990 the number of employers sponsored pension funds for their own respective employees remained low compared with the existing number of the employers.

Table 2 illustrates that 70 per cent of the investment composition was raised from the accumulation of contributions to provident fund and death insurance. Totally, the employer made contributions at 75 per cent to Astek schemes and the rest (25 per cent) were deducted from the employee's earnings. Total investment accounts of Astek composed of 60 per cent of the accounts derived from provident fund, 30 per cent of the accounts from accident fund and 10 per cent of the accounts from death fund. Astek investment accounts were, financially and implicitly, conventional debts. Over that range of these debts, the responsibility of Astek was to meet the obligation to return all provident funds to employees. Since the investment accounts were represented as debts component, there was a consistent commitment from Astek to protect the investment accounts by investing in time deposits.

Time deposits are the safe investment instruments that the government still considers as fixed but moderate income securities. That means the interest rates on time deposits is still relatively high as compared with that of dividend on share and any other interest rates on money market instruments. The maximum holding of time deposits is two years; the maturity of time deposits is due to rollover basis for the same period and it is manageable to be withdrawn as the accumulated benefits come due. Most of the accumulations of provident funds will be repaid by Astek to most employees at age 55.

As mentioned earlier, the number of employers who sponsored the plan is likely to remain limited, unless the government gets involved in the promotion of employer sponsoring pension funds compared with that of employers covered by Astek (29,000 employers). The emergence of only a small number of employer sponsored pension funds, however, does not mean that sponsoring policy to develop these has completely failed. For example, there has been some difficulty in recording the existing number of employer sponsored pension funds. A preliminary survey undertaken before the development of Astek provident fund indicated that some employers who have provided employees under an old age benefit scheme with lump sum benefit were eligible to continue to provide preexisting benefits for their employees.

Employers Pension Funds

However, the numbers of the employers sponsored pension funds increased from 49 employers in 1982 to 159 employers in 1990 (see Table 3). Such an increase was effected in response to a concessional tax treatment granted to the employers (the Ministry of Finance, 1991). In this context, the number of employees or employers covered under Astek provident fund can be used to measure whether all employers sponsored the plan or not. An implication of using the coverage of employees under Astek is that the government can employ control over the real number of employers currently sponsoring the plan.

Table 3 presents the comparison between total number of employers who have sponsored the plan since 1974 and those who joined Astek provident fund. Each has been

Table 3

THE COMPARISON OF EMPLOYER PENSION FUNDS AND THE NUMBER OF
EMPLOYERS REQUIRED TO JOIN ASTEK PROVIDENT FUND

Year	Number of ESPFs	Investment Assets (Rp. Billion)	Covered Employers by Astek	Investment Assets (Rp. Billion)
1974	4	n.a.	n.a.	n.a.
1978	32	n.a.	3,263	3.46
1982	49	n.a.	7,945	66.05
1986	77	963.70	16,793	227.85
1990	159	3,399.49	29,000	571.10

Source: the Ministry of Finance (1991) and Astek (1991): ESPF (Employers Sponsored Pension Funds); ERAPF (Employers Required to join Astek Provident Fund). Astek Fact Book of 1991; n.a. = data not applicable.

accompanied by the respective accumulated pension assets. A significant part of the employer's sponsored pension funds has to be referred to the accumulation assets. The accumulation of assets under employers sponsored pension funds is much higher than under Astek provident fund because of the higher rate of contributions to the plan which levied on workers' higher earnings.²⁸ The further development of the employers sponsored pension funds requires the government's intervention in order to increase the number of the employers and the accumulated pension assets.

Employers that sponsored the plans tended to develop rapidly after 1985, although only a few employers already sponsored the plans before 1985 (see Table 3). In this context, despite the rapid development of employers sponsored pension funds one may ask the question as to how many employers sponsored the plans for the interest of their employees. It is still portrayed from

the point of view of the accumulation of their investment assets that their assets are relatively high as compared with those under Taspen and Astek investment assets. In other words, there were still many employers that have not sponsored the plans for their own respective employees and the government had no power to force employers to sponsor the plans instead of persuading the employers to do so.

In addition, there were at least three problems of developing employers sponsored pension plans. *First*, there was no law on the establishment of the sponsorship of the plan before 1990, so that the coverage of workers was dependent on employers kindness. *Second*, there was no government's intervention which encouraged employers to sponsor the plan. And *third*, there was no guidance on the management of the plan associated with the lack of actuarial technical staff and investment portfolio managers of the plan. Another difficulty to develop the sponsored plan for private sector employees arose from the delay to propose the pension bill to pass it into law before the 1990s.

²⁸The rates of pension contribution to employers pension funds vary at between 10-30 per cent of employees' earnings.

Because of these above mentioned problems, data on the financial assets of employers sponsored pension funds had not been available in the Department of Finance's Directorate of Pension Funds over 1974-1984. The government i.e. the Department of Finance started to collect their financial data for the interest of research and development after 1985. The only financial data available in the Department of Finance were assets, liabilities and the surplus of funds (1985-1990). Another difficulty in collecting data was due to the lack of credibility to record the reputation of their performance in the area of investments. And these problems had been unresolved until the government implemented Astek provident fund for private sector employees in late 1977.

The Fund Industries

The Indonesian government has devoted its attention to the development of fund industries in the 1980s in order to raise domestic funds through insurance and pension establishment (IPE). It was generated by enforcing the investment accounts of all life insurance offices and pension funds to invest in domestic money and capital markets (*Indonesian Quarterly*, 1980: 1). The fund industries were basically financial intermediaries that have licenses to provide loans to the needy, however, pension funds were not allowed to provide a loan for the needy as there has been no means of lessening risk in Indonesia. Additionally, pension funds were not allowed to deal with the development of self investments.²⁹ As a result, all the invest-

ment policies derived from pension funds and insurance firms have been focused heavily on conservative policies in risky assets. Implicitly many pension funds have placed a limit on the investment in risky assets. Yet Indonesian pension funds have not been included in the category of fund industries, however, their role has been categorised as a tool for raising domestic funds, known as fund raising institutions (FRIs).

Table 4

THE INVESTMENT ACCOUNTS OF FUND INDUSTRIES IN INDONESIA AS PERCENTAGE OF GROSS DOMESTIC PRODUCT

Types of Industry	1986	1988	1990
Loss Insurance	0.40	0.44	0.96
Life Insurance	0.40	0.50	1.18
APF & TSP ^a	1.34	1.78	2.54
TAP & ESPF ^b	2.21	3.65	5.89
Total Funds	4.45	6.75	10.67

Source: the Department of Finance's, Directorate of Pension Funds & Statistic of Taspen (1990)

^aAstek provident fund & Taspen saving plan

^bTaspen annuity plan and employer's sponsored pension funds

Table 4 illustrates the growth of loss/indemnity, life insurances, Astek, Taspen and employers pension funds as the potential fund industries. The growth was measured in percentage term of GDP to indicate the significance of their proportion on the economic development of the country. Using the 1988 data, the proportion of Indonesian funds to GDP was relatively small at 6.75 per cent of GDP as compared with Australian superannuation (20 per cent), however, it was still relatively higher than Japanese

²⁹For example in Australia: One of the investment strategies of superannuation applies to self investments. However, self investment is strictly prohibited by the regulation in Indonesia.

and German funds which accounted respectively for 4.6 and 3.5 per cent of their GDP.³⁰ Between 1986 and 1990 the proportion of Indonesian funds to GDP tended to increase from 4.45 to 10.67 per cent of GDP. In this context, Taspen, Astek and employers pension funds have contributed ± 80 per cent to total funds. Taspen, Astek and ESPFs have currently led to further development of funds raising institutions and the significance of these institutions in the accumulation of fund accounts has been heavily on Taspen's annuity and ESPFs.

The following table shows that the significance of the growth of covered employees and the growth of pension assets will be brought into balance in the next decade in Indonesia. Table 5 presents Indonesia's growing pool of pension investment accounts that is based on a hypothetical analysis: quoted from Hattari's projection of pension funds (1991) that pension investment accounts are estimated to increase to at least Rp. 17,000 billion in 1995 and at least Rp. 28,000 billion in 2000;³¹ these figures are projected by using the average actuarial rates of interest at 9 per cent p.a. during 1990-1995 and at 6 per cent p.a. during 1995-2000; these actuarial rates of interest would be much more moderate than pension benefits in 1995, because the Indonesian economic performance will be better in 1995 than before.

³⁰See *Bank of England Quarterly Bulletin* (1991), The Development of Pension Funds-an International Comparison (Pension Fund Assets as Percentage of GNP among Developed Countries).

³¹The estimated figures on pension assets by Hattari, actuarial economist were presented for hearing in the Parliament in February 1991 in order to illustrate the prospective growing pension assets in the year 2000; the estimation was made by using three main assumptions:

These are optimistic projections. The minimum increase in these accounts may be achieved by pension funds. This increase can be realised by assuming that the prospective employers have to sponsor the plans. Increases in the number of employers sponsored pension funds are expected to accumulate pension investment accounts and their significance is perhaps to stimulate the growing investment assets in the future development of fund industries (*Indonesian Quarterly*, 1992). There is no doubt about the growing number of pension funds until direct private investments are permitted to pension funds. The implication of this investment restriction on self investments gives rise to question as to how to deregulate the investment scope of funds and how to make recommendations to the government in order to allow funds to make self regulation for their own interest.

Despite the rapid growth of the investment accounts that were encouraged to invest in stocks and bonds, there was little increased demand for capital market instru-

the average growth rate of covered employees by Taspen savings scheme & Astek provident fund, the average growth rate of pension assets and the average actuarial rate of investment returns. The performance of pension funds achieved during 1985-1990 was also used i.e. the number of covered employees has risen at an average rate of 8 per cent per annum; pension assets have increased by an average rate of 18 per cent per annum; and the investment returns of funds have risen at an average rate of 12 per cent per annum. During 1990-1995, pension assets are estimated to increase by an average rate of 5 per cent per annum; the investment returns are assumed using an actuarial rate of return at about 9 per cent per annum and the number of covered employees is predicted to increase by an average of 10 per cent. During 1995-2000, pension assets increased by an average rate of 5 per cent per annum; the investment returns is assumed at 6 per cent per annum and the number of covered employees is expected to increase by 8 per cent per annum.

Table 5

PROJECTION OF PENSION INVESTMENT ACCOUNTS OF ESPFs (Rp. Billion),
COVERED EMPLOYEES (in Millions) AND ASSETS PER HEAD (in Million of Rph)

Pension Plans	1985 ^a	1990 ^b	1995 ^c	2000 ^e ^d
1. Assets	2,200	8,800	17,000	28,000
2. Employees	5.4	7.7	12	17
3. Assets Per Head	0.41	1.14	1.42	1.64

Source: a, b = the Department of Finance, Taspen & Astek (1990), consolidated figures;
c, d = Hattari's Projection (1991); P.T. Japa (Pension & Insurance Consultant Firm)

ments, as stocks and bonds in Indonesia have been sketchy. One important question confronting the government's attention to encourage private pension funds as fund industries was, however, not followed by deregulation in the investment area of funds. The government's consent to encourage private pension funds has not been directed towards the establishment of fund industries but it was operated as funds raising institutions.

As a result, no particular investment portfolio have developed for Indonesian pension funds. Consequently, pension funds are perhaps difficult in making self regulation in order to develop self investments even though the funds have been mature to generate a surplus. Empirically speaking, the intent is to spread risk and to benefit from the investment diversification.³² In contrast to Indonesia, the Dutch pension plans were tolerated by the regulation to develop self investment while emphasising on fixed interest capital market investments, for example,

bonds (see Loo, 1988: 21-28). Similarly, the Australian superannuation has developed self investment as a maximum of 20 per cent of total accounts were tolerated to sponsor the companies (see Super funds, 1993). In conclusion, there has been a limited room for Indonesian funds, for example, Astek and employers sponsored funds to develop self-investments although those funds have been mature to generate a surplus.

Conclusion

Institutionally speaking, Indonesian pension funds like Taspen, Asabri and Astek can be categorised as mandatory employees pension funds (MEPs) as their major schemes have been tied directly with the provision of pension annuity, pension savings and provident funds. Employers pension funds have been considered as voluntary employees pension funds (VEPs). Additionally, all funds have benefited from accumulating investment assets through the accumulation of employees' contributions, known as employees fund raising institutions. However, the funds have not benefited

³²See Loo (1988): Self investments are defined as the investment schemes in sponsoring companies which include investments in domestic and overseas.

from self-development in overseas investments as they have no power to break through investment restrictions made by the government. Finally, the establishment of pension funds should be directed towards

the development of funds as fund industries and then followed by the establishment of the pension investment guaranty corporation (PIGC) to protect the investment accounts of pension funds against default risks.

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Planning and Management for Coastal Eco-Tourism in Indonesia: A Regional Perspective*

Russell Arthur Smith

Introduction

IN recent decades, there has been considerable worldwide growth in tourism; especially in the East Asia and the Pacific (EAP) region (Figure 1). Growth during the 1980s in the EAP has been over three times that of the rate for the world as a whole. This trend is forecast to continue through the 1990s and into the 21st century, with the consequence of continued demand for development of tourism facilities in the region.

Indonesia has diverse natural, historical, heritage and other resources which are being applied to tourism development. The Indonesian government is keen to develop tourism and plans are being made to provide for this. For example, with recent policy

changes, the total number of airline seats in and out of the country is expected to reach 20.3 million by 2000, up from 9.1 million in 1990 (Saunders, 1993).

Tourism resources are the key to Indonesia sharing in the benefits of the growth of tourism in the region. The carefully planned development, management and conservation of these excellent resources are essential for the successful expansion of tourism in this country.

This paper addresses eco-tourism development in the coastal zone of Indonesia. The focus is on tourism planning, development and management in Southeast Asia, where the broader view of management, that which is allied with planning and development, rather than the narrower interpretation of day-to-day operations, is adopted.

Coastal Eco-Tourism

The coastal zone provides a diverse range of resources which attract tourists. The most

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obvious of these is the beach which draws both passive and active recreationalists. In addition there are seas, islands, forests, hills and many other natural features. The coastal zone provides a diverse environment for play and relaxation. Much of the attractiveness of the coastal zone relates to its natural features; thus the coastal zone has a significant role to play in eco-tourism.

Eco-tourism is a new trend in tourism development and promotion. The world has become more environmentally conscious in recent years and now the traveling public demands an environmental tourism product. Tourists want to see and experience the best that the natural environment has to offer. In its strictest sense, eco-tourism relates to the observation of nature in wilderness areas. Sites for this form of tourism are sometimes remote and facilities are often basic. The visitor types are typically scientists and quasi-scientists. The focus for visitor activity is the study of the natural environment (Yeo, 1993).

Closely associated with eco-tourism is nature tourism, which draws on popular interest in things natural. Nature tourism provides recreational and educational opportunities for international visitors as well as residents. Generally there are the three sub-segments to nature tourism:

- 1. Short visits by large numbers of visitors which generally last one to two hours, excluding travel times.
- 2. Longer visits by some visitors, which are likely to be of a half-day in duration. These visitors have a greater depth of interest in natural features than those on short visits.
- 3. Serious nature lovers and “adventurers” are likely to want to spend the whole day, or longer in areas of natural interest.

Common usage of the term eco-tourism includes nature tourism. Thus, eco-tourism, from the tourism development point-of-view, relates to tourism attractions which depend upon the natural environment for a

Figure 1

INTERNATIONAL ARRIVALS IN EAST ASIA AND THE PACIFIC (EAP)

Year	WORLD			EAP		
		Change Since 1970 (1,000s) (%)	Change Since 1980 (%)		Change Since 1970 (1,000s) (%)	Change Since 1980 (%)
1970	159,690			4,859		
1975	214,357	34.23		7,805	60.63	
1980	284,841	78.37		19,967	310.93	
1985	321,240	101.16	12.78	29,408	505.23	47.28
1990	443,824	177.93	55.81	51,152	952.73	156.18

Source: World Tourism Organisation.

significant part of their appeal.¹

Given the diversity of natural features in the coastal zone, it is not surprising to find a wide range of activities related to eco-tourism. On land there are forest walks, tree-tops walks and bird watching. For the seas there are appreciation of seascapes, tidal pool explorations, snorkeling and SCUBA diving. These and other activities are made more meaningful through interpretative centers. In some places, popular terrestrial and marine animals are presented in aquariums, zoological gardens and bird parks (Weiler, 1992).

Making these attractions available to tourists requires much in the way of supportive infrastructure. This infrastructure allows tourists to access sites, to stay overnight, to eat and drink, to shop and to be otherwise entertained. Infrastructure necessary to support eco-tourism includes airports, highways and roads, hotels and chalets, retail shops and refreshment outlets. Other infrastructure includes water supply sources and mains, wastewater sewers and treatment plant, and solid waste disposal sites.

Tourism Development in the Coastal Zone

Typically, tourism development in the coastal zones of Southeast Asia has been

conducted on an ad hoc basis; that is, project-by-project. The classic case of this form of development is Pattaya, Thailand. In the early 1970s, Pattaya was a largely undeveloped beach with 400 hotel rooms. By the end of the 1980s the resort had become a city with around 22,000 hotel rooms (Figure 2).

The early stages of the development of Pattaya did bring increased foreign exchange earnings, job creation, economic growth and improved family incomes. However, recent growth has been characterised by informal development and uncontrolled urbanisation. This resulted in flood damage and coastal erosion, water supply shortages, environmental destruction and degeneration, marine pollution, loss of natural ambiance, traffic congestion, and tourism decline. Pattaya was transformed from what once a beautiful natural environment into a harsh and polluted urban environment with falling tourist numbers (Smith, 1992a).

This approach to tourism development is described in the *Beach Resort Model* (Smith, 1991). This model details, over eight stages, evolution from an undeveloped beach to an urbanised beach as tourism development intensifies. In the beginning there is a natural beach with no tourism facilities. In time, with a concentration of development at this location, it is possible that there will be city resort.

Integrated Coastal Development

Recognising that ad hoc, that is unplanned approaches, were not the best way to proceed, some coastal tourism projects are now being constructed as Integrated Developments. Integrated developments are

¹In contrast, eco-tourism, from the operational point-of-view, relates to environmentally sound policies and practice of operation of tourism facilities. This includes the recycling of used material such as paper, plastic and glass; being a non-polluter; protecting the natural environment; and being sensitive to the use of non-renewable resources. This point-of-view is not discussed here.

totally planned environments with a number of hotels that share elements of infrastructure, recreational features and other facilities.

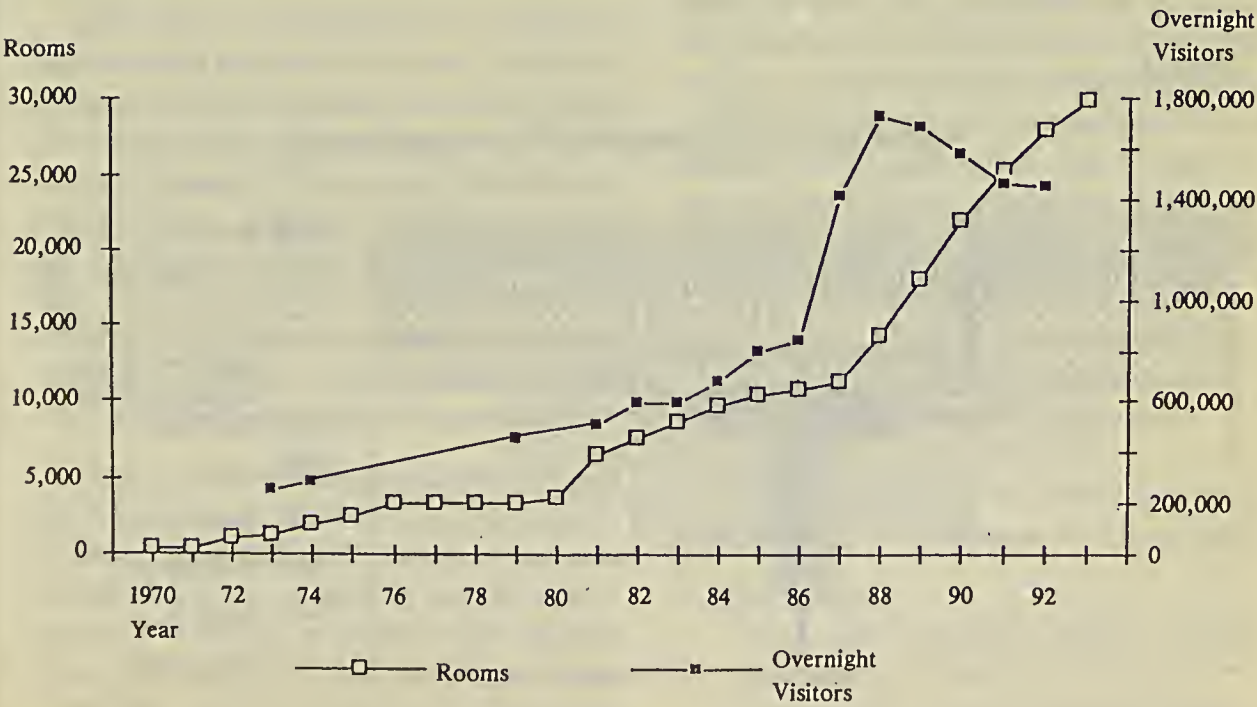
Central to the idea of integrated development is control. With a large site and a number of hotels and other features, it is possible to orchestrate a totally planned environment which brings together all of the best resort elements in a programmed manner. In such an environment, incompatible activities and land uses are excluded or minimised. Central management permits the co-ordination of resort planning and implementation as well as the maintenance of common

spaces. This can create a consistent ambience for the resort as a whole (Stiles and See-Tho, 1991).

The first integrated beach resort in the Southeast Asian region was Nusa Dua, Bali. Planning for this 350 hectare resort commenced in 1971 under the direction of the Bali Tourism Development Corporation (BTDC). The first hotel opened in 1983 and now Nusa Dua has eight five-star beach-front hotels. Common facilities include an 18-hole golf course and a large central shopping precinct. More beach-front hotels are planned.

Figure 2

THE EVOLUTION OF PATTAYA IN TOURIST NUMBERS



Source: Tourism Authority of Thailand.

The Indonesian government is promoting this form of resort development and a number of Indonesian regional tourism development corporations have been formed in cooperation with the BTDC to plan and develop similar integrated resorts. Other Indonesian tourism development corporations are pursuing the integrated approach on their own. Similarly, other ASEAN countries such as Thailand, Singapore and Malaysia, are applying this approach.

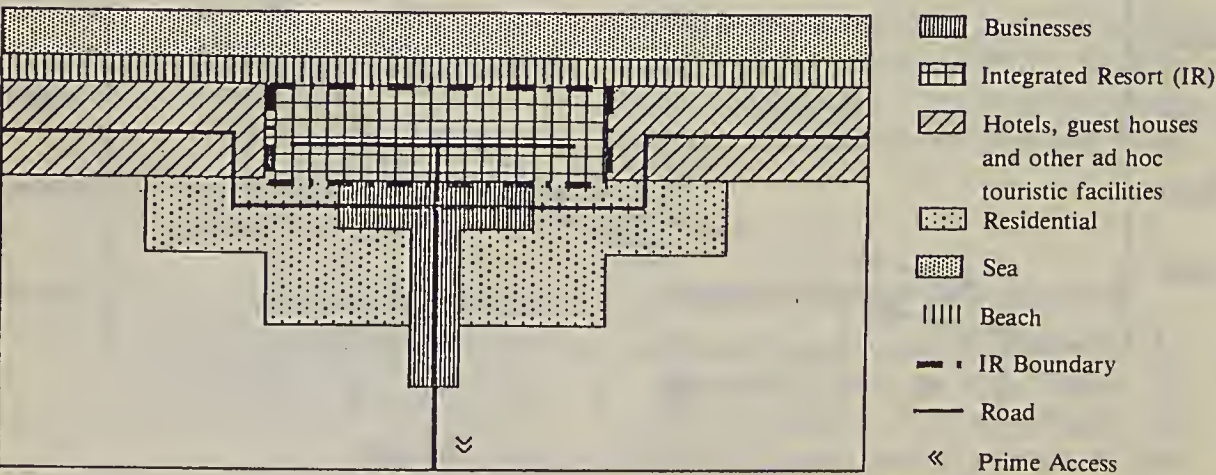
Without doubt, Nusa Dua is an improvement over many other regional beach resorts. Only high-end tourism facilities are to be found in the resort proper, where the common areas -- the roadways, footpaths and beach-fronts -- are well planted with trees and shrubs. Centralised waste water treatment has helped avoid the perennial sea pollution found in other resorts. Litter is also rarely seen as solid waste is collected and removed for land-fill.

Outside of the resort boundary, in the adjacent village is another world of inadequate streets, crowded housing, clogged open sewers, piles of solid waste and a polluted ground water supply. These conditions are not greatly different from other congested settlements; however, the contrast with the well planned and maintained resort is stark.

Another aspect of Nusa Dua is the development of tourism facilities along the beach outside of the integrated project boundary. Lateral spread of the resort is continuing to the north as hotels, guest houses and other touristic facilities are constructed. Development of these areas is on an ad hoc basis. Physical deterioration and environmental degradation of the areas around the central core of this integrated project has commenced. In time, the larger Nusa Dua area is likely, in many respects, to resemble other unplanned resorts, such as Pattaya, except

Figure 3

INTEGRATED BEACH RESORT DEVELOPMENT MODEL



Source: Author.
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for the central core.

A model of the form of mature beach resorts, which commence as integrated developments, is shown in Figure 3. This model has a planned core, surrounded by unplanned resort functions -- hotels, guest houses, restaurants, businesses and residential areas. This is the likely outcome for beach resorts that follow Nusa Dua's approach (Smith, 1992b).

To avoid encirclement by a degraded environment, planners and developers need a total plan for the larger resort area and not just the tourism land uses. The concept of integrated development does work; though it needs to be applied, to the whole resort area, and not only to the integrated core. What is needed is Comprehensive Integrated Development.

Planning for Coastal Tourism

One case of Comprehensive Integrated Development for the coastal zone is the tourism plan currently being developed for Pangkor island and the surrounding areas, Mukim Lumut, Malaysia. The tourism development objectives for this plan include enhancing the economic performance of the locality and job creation. The prime tourism resources of this area are natural coastal resources -- beaches, coastal forests, coral reefs and diverse marine and terrestrial life.

The tourism planning procedure (Figure 4) identified land which was environmentally suitable for development. This land was then considered in the context of tourism potentials and resources so as to identify specific areas for tourism development. These areas were then evaluated against economic, land-ownership and other criteria to produce final

tourism development sites. Development and management guidelines were then prepared for each site.

While this planning procedure for tourism development holds promise, it only addresses the development and environmental issues at one level of planning. An examination of other regional land-uses reveals some serious conflicts. Near the island of Pangkor is a proposed oil refinery and a large naval base with major commercial ship-repair facilities. Oil refineries, their associated super-tankers and marine repair industries are well-known potential sources of sea pollution. In addition, there is an established fishing and fish processing industry on the island, which is also a polluter. Inland, extensive development and industry is planned, which has the potential of adding pollutants and silt to the Manjung River, which empties into the sea adjacent to Pangkor Island.

None of these problems could be addressed during the preparation of the tourism planning procedure described above. All of the strategic decisions concerning these conflicting industries and non-tourism developments were made earlier. Thus, even the best tourism planning procedures cannot ensure ideal tourism development, if limited to one level of planning activity.

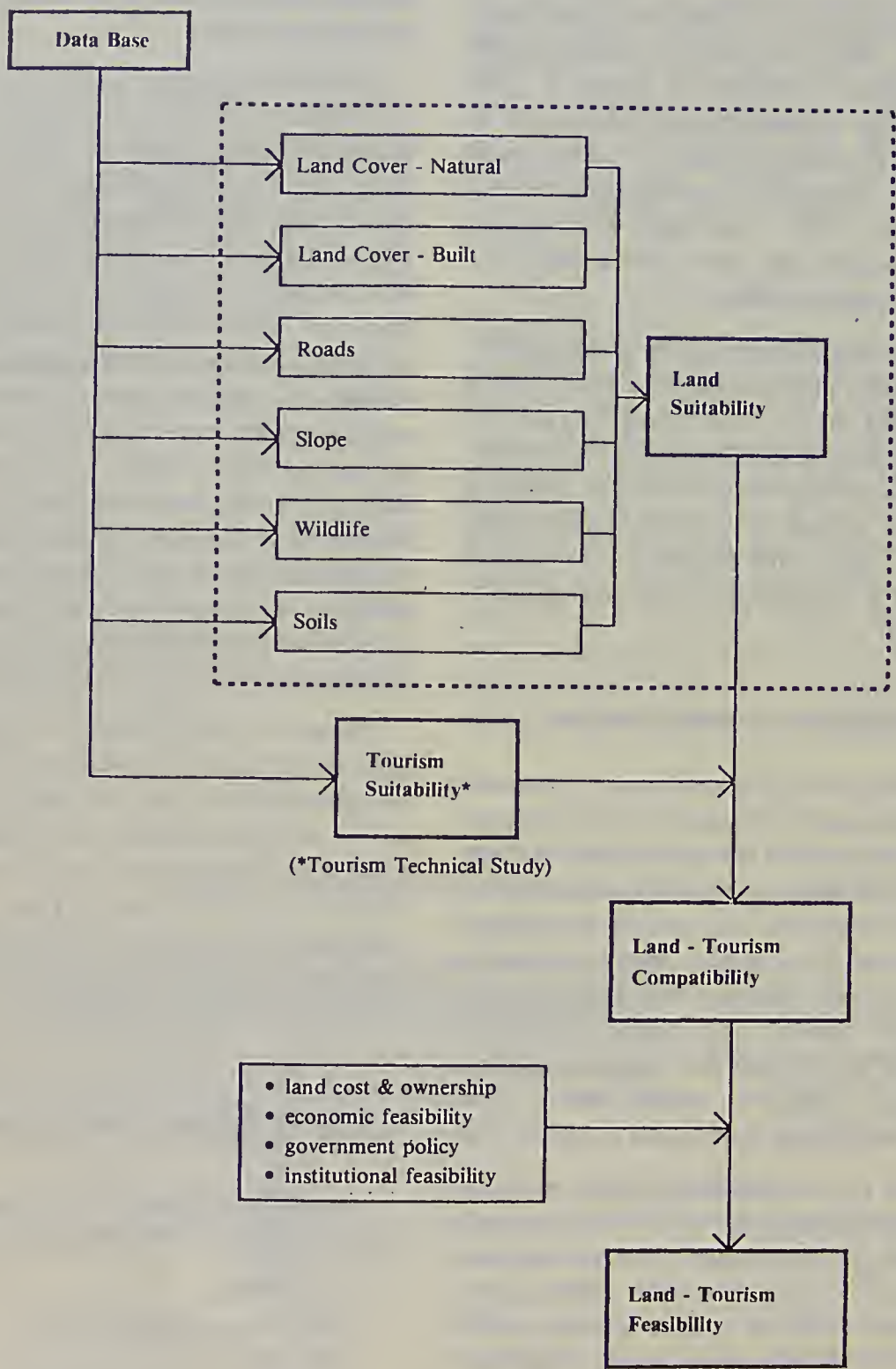
Levels of Tourism Development

Generally, there are five levels of tourism planning activity. These are (with examples):

1. International
 - The Riau-Singapore-Johor growth triangle
 - The North Sumatra-North Malaysia-South Thailand growth triangle

Figure 4

TOURISM PLANNING PROCEDURE



Source: Author.

- 2. National
 - The Malaysia Comprehensive National Tourism Development
- 3. Sub-national
 - Bintan International Resort, Pulau Bintan, Riau
- 4. Destination Area Master Planning
 - Laguna Phuket Resort, Phuket, Thailand
 - Lombok Resort, Senggigi, Lombok
- 5. Project
 - Individual hotel and other developments

As has been demonstrated with the Pangkor-Lumut case, planning and management policy and spatial decisions made at upper planning levels will effect lower levels; and thus the quality of tourism project. Therefore the inclusion of tourism planning at the earliest stages of strategic and other planning exercises is essential for successful eco-tourism development.

Directions for Solutions

Important issues for the planning and management for eco-tourism in the coastal zone are:

- *Planning and Management*

Planning, development and management for eco-tourism in the coastal zone is clearly a complex and comprehensive undertaking which cannot be effectively executed in isolation from the larger planning and management context. Even with effective planning procedures and the best environmental management guidelines, conflicts of policy and economic interest and other land uses have the potential for negative impacts on tourism development.

Thus comprehensive planning for tourism development at all levels is essential.

- *Institutions*

Comprehensive eco-tourism development requires a variety of institutions. Some institutions will focus solely on aspects of tourism (such as development or promotion) while others will also have non-tourism responsibilities (such as economic planning). Some of these institutions will necessarily be found at national, regional and local government levels.
- *Coordination*

Coordination of the tourism activities of institutions is critical to tourism planning and management success. Without coordination, conflicts are inevitable. An important element of coordination is the publication of the relevant strategy plans and other documents which will act as a framework for more detailed tourism planning.
- *Regulation and Enforcement*

Too often the best of plans are distorted or ignored by informal or inappropriate development or poor operational management. To guard against these unwanted practices, relevant institutions need to have adequate powers of regulation. But regulation is not enough. These institutions also need powers of enforcement as otherwise regulations will be ignored.
- *Funding*

For effective planning and management, institutions require strong funding. These funds are needed for establishment as well as annual operational expenses. A good source of funds is via direct disbursement from tourism taxes. This would ensure a regular budgetary income as well as link performance in the tourism industry to level of budget income.

- *Expertise*

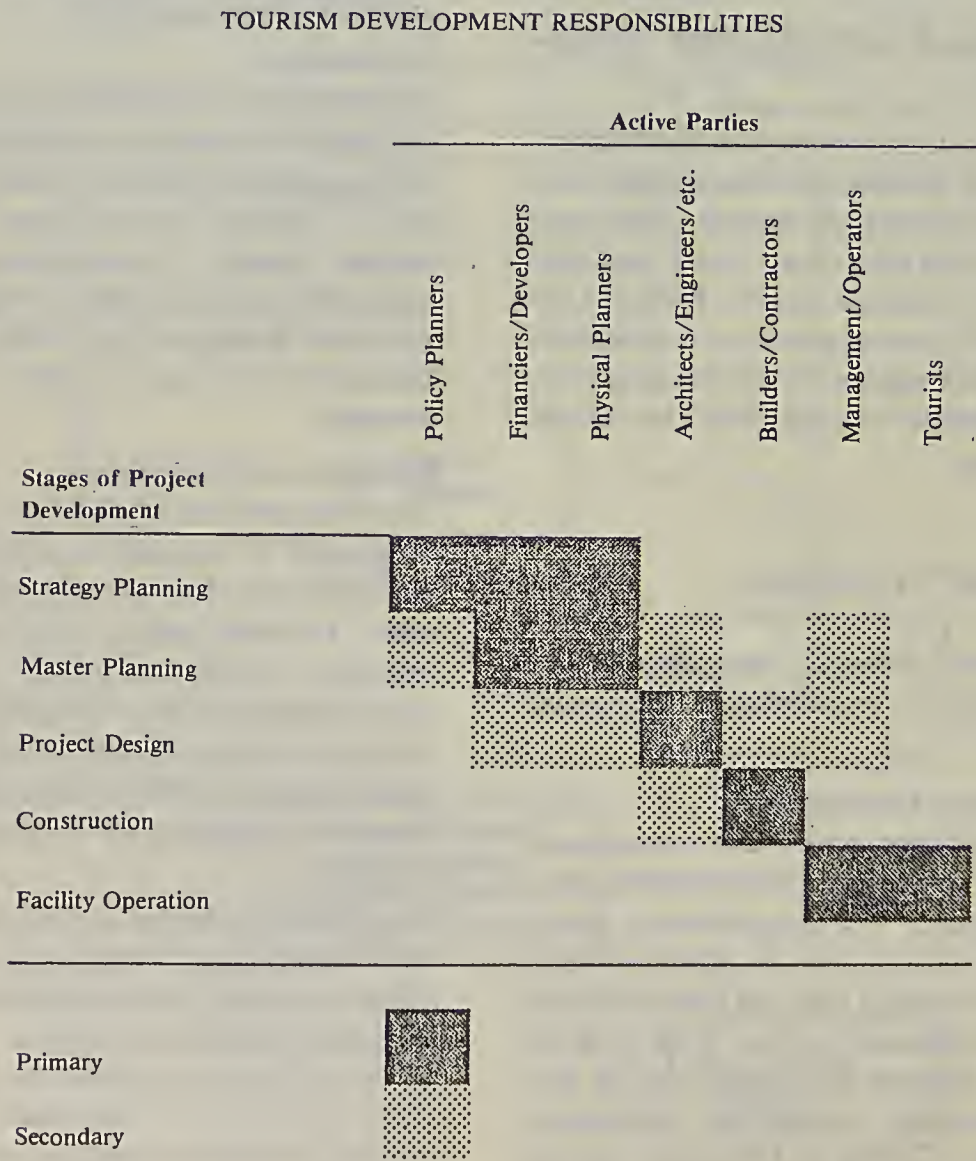
Planning and management for eco-tourism requires a variety of special expertise. Different types of expertise are required at the various stages of the tourism planning process (Figure 5). Some of this expertise is expensive to engage, either in-house or as external consultants. Other ex-

pertise may be learnt on the job; but this requires parallel formal training. Thus tourism institutions' budgets should include appropriate allocations for retaining expertise, and training.

- *Marketing and Promotion*

Even with the best natural resources and the utmost care in tourism project plan-

Figure 5



Source: Author.

ning, management and development, tourists are unlikely to come if they are unaware of the existence of the destination. Thus active and vigorous marketing and promotion is essential for attracting tourist internationally, and from within Indonesia.

Conclusion

Basic principles for effective eco-tourism development in the coastal zone of Indonesia are:

- Principle 1

Coastal eco-tourism encompasses a broad range of tourism activities. It follows that eco-tourism is not a stand-alone activity as it requires considerable supportive infrastructure and other tourism features.

- Principle 2

Tourism in general is inherently environmentally unfriendly. Therefore it is up to government, planners and management to conserve, protect and provide the proper context for environmentally sound tour-

ism development and operation.

- Principle 3

Ad hoc, that is project-by-project, tourism development provides short-term benefits at the cost of medium- and long-term environment degeneration and tourism destination decline.

- Principle 4

Development which focuses on tourism projects, at the expense of the surrounding environment and the resident population, is only a partial solution. Comprehensive Integrated Development, which addressed both tourism and non-tourism development and conservation, is the only satisfactory approach.

- Principle 5

It is not possible to contain or to avoid all eco-tourism planning, development and management problems at one level of activity. The total development and management context must be considered for the success of coastal eco-tourism.

- Principle 6

Institutions, expertise and funding are integral elements of planning and management for eco-tourism in the coastal zone.

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The Kampuchean Crisis and Indonesia

Mun Mun Majumdar

THE conflict in Kampuchea did not have its roots in the 1978-1979 Vietnamese military action, instead it owes its origin to the overall struggle for power and influence in Southeast Asia between the two communist giants, the erstwhile Soviet-Union and China. The overthrow of the Pol Pot regime were disturbing for Indonesia since there had been a violation of Kampuchean national sovereignty in direct contravention of the principles of the Treaty of Amity and Co-operation conceived as a code of conduct for regional states.¹ The Twelfth ASEAN Foreign Ministers Conference held at Denpasar from 28-30 June 1979, "strongly deplored the armed intervention", in Kampuchea and pledged support for the right of self-determination of the Kampuchean people without outside in-

terference.²

Indonesia was however concerned at the possible consequences of Vietnam becoming isolated and hence subject to prolonged pressure.³ According to a reported account of one senior Indonesian official, "It has always been the thesis of President Soeharto that if the Chinese push too hard in Vietnam, then Vietnam will have no option but to rely more heavily on the Soviet Union. This will only lead to greater big power involvement in the region."⁴ Indonesia did not subscribe to the policy of "bleeding Vietnam White", and continuously bringing pressure to make it bend. Such a policy, according to Indonesia, was supposedly aimed at weaning Vietnam from its excessive dependence on the Soviet Union, and was bound to be counter-productive.⁵ Despite this apparent sym-

¹Statement by the Indonesian Foreign Minister as Chairman of the ASEAN Standing Committee on the escalation of the Armed Conflict between Vietnam and Kampuchea, Jakarta, 9 January 1979, *ASEAN Documents Series 1967-1986* (Jakarta: ASEAN Secretariat, 1986), 446.

²*Bangkok Post*, 1 July 1979.

³*Asian Recorder* 25 (21-27 March 1979): 19582.

⁴Quoted in David Jenkins, "Maintaining an Even Keel", *Far Eastern Economic Review* (FEER), 1 June 1979, 23.

⁵*Asian Recorder*, 6-12 August 1979, 15018.

pathy for Vietnam, Indonesia did not deviate from the consensus achieved within the ASEAN on the Kampuchean issue. ASEAN adopted a tough stand because Vietnam's hold on Kampuchea upset the earlier equation. The situation was further complicated by the Vietnamese decision to offer military bases to the Soviet Union at Da Nang and Cam Ranh Bay. The first ever Soviet overseas base in Vietnam and the Soviet military invasion into Afghanistan earlier in 1978 triggered off the second round of intense Cold War which brought American pressure to bear upon the ASEAN.

Another reason for the Indonesian restrained sympathetic attitude towards Vietnam was due to the concern for the influx of Indo-Chinese refugees which gave rise to the possible security implication, and the growing tension along the Thai-Kampuchean border.⁶ As a result, the Vietnamese military action in Kampuchea led to the emergence of a new regional balance of power in Southeast Asia with a clear cut polarisation between ASEAN on one hand and Indochina on the other.

In 1979, the ASEAN successfully sponsored two resolutions in the UN, one holding the Kampuchean seat in the General Assembly for Pol Pot's Democratic Kampuchea and the other calling for the total withdrawal of foreign troops.⁷ These resolutions formed the basis of the official ASEAN stand on the Kampuchean conflict. The UN motion pro-

jected the outward ASEAN unity on the issue. But beyond these general propositions there were significant internal disagreements. At the root of the discord was the divergent opinion over the threat to regional security.

Indonesia and Malaysia tended to view China as the fundamental and long term threat to Southeast Asian security. With the exception of Thailand, no ASEAN state feared an outright invasion of its territory.⁸ Indonesia sees Vietnam as a buffer against the Chinese influence, much the same way Thailand sees Kampuchea as a necessary cushion between itself and Vietnam. This is the difference in national interest between the two on the Kampuchean issue. Indonesia's apprehensions regarding Vietnam were mitigated by a sense of shared experience of struggle against colonialism. Indonesia remained suspicious of the long term Chinese design in the region and regarded Vietnam as the bulwark against China. The underlying assumption was the conviction that Indonesia's natural adversary was China.⁹ This view was also shared by Malaysia.¹⁰ On the other hand, Thailand and Singapore did not share the Indonesian and Malaysian concern about China. Perceiving Hanoi's ambition to be limited to Indochina, Indonesia and Malaysia hoped for a mutually acceptable compromise between the ASEAN and Vietnam.

⁶Statement on behalf of the ASEAN by the Chairman of the ASEAN Standing Committee, Bangkok, 21 February 1979, no. 1, 447.

⁷UNGA Resolution 34/22, 14 November 1979, *Documents on the Kampuchean Problem, 1979-1985*, Ministry of Foreign Affairs, Bangkok, September 1985, 127.

⁸Joint Statement by the ASEAN Foreign Ministers on the situation in the Thai-Kampuchean Border, Bangkok, 25 June 1980, no. 1, 452.

⁹Interview with President Soeharto, *Asian Wall Street Journal*, 21 February 1979, 2.

¹⁰Speech by the Foreign Minister, Tunku Ahmed Rithaudeen in Carnegie Endowment for International Peace in Washington, *Asian Recorder*, 9-15 December 1984, 18075.

However, the ASEAN had adopted a consistent and concerted stand that foreign intervention should not be tolerated as it went against international law. Thus, when the Chinese made a punitive bid "to teach the Vietnamese a lesson" their action was condemned. The intra-ASEAN differences of opinion over the best course to take in relation to Kampuchea came to surface in December 1979 when Indonesia openly expressed its displeasure with Thailand's insistence upon a vigorous confrontationist approach towards Hanoi.¹¹ The Indonesian Foreign Minister expressed this concern when he said in a statement that "there have been attempts at drawing the ASEAN into one certain side of conflict and bringing about a confrontation between ASEAN and Hanoi".¹²

Although the Indonesian strategic perspective allowed a more tolerant view of Vietnam's role in the Kampuchea, the invasion forced Jakarta to place its interest in maintaining the ASEAN cohesion and credibility and in the ASEAN vision of regional order. Indonesia has a great stake in the ASEAN as the idea of the ASEAN was by far the fruit of its own initiative. In the circumstances Indonesia went along with the ASEAN position. The ASEAN made efforts to get recognition for the Pol Pot regime in the Non-Aligned Conference held in Havana on 3-6 September 1979. The meeting decided however, to leave the Kampuchean seat vacant till 1981.¹³

As of March 1980, Indonesia made its major diplomatic effort to induce Hanoi to

negotiate a settlement. The initiative began with the formulation of the Kuantan Principle.¹⁴ Meetings between Soeharto and Datuk Hussain Onn resulted in the call for the resolution to the conflict so as to check the anticipated regional destabilisation and great power intervention. Soeharto's involvement in the articulation of the Kuantan Principle is indicative of the prevailing Indonesian belief that if an agreement was not brought about Vietnam would be weakened by the protracted conflict and thereby increase its dependence on the Soviet Union. Indonesia's eagerness to bring about a settlement stems from the fear that the continuance of the crisis might result in the formation of an axis between Beijing and Bangkok which in the regional context would prove to be disastrous.¹⁵

The Kuantan discussion generated considerable disquiet in Bangkok and Singapore. Yet, Jakarta continued its efforts to achieve some sort of understanding with Vietnam. The President, senior officials from the Foreign Ministry (DEPLU) and the Defence Ministry (HANKAM) were involved following Soeharto-Onn discussion. The deputy head of the State Intelligence Organization (BAKIN), then Lt. General Benny Moerdani was dispatched to Hanoi as a special emissary to discuss the Kampuchean question with the Vietnamese Foreign Minister Nguyen Co Thach. Vietnam had earlier

¹⁴For a detailed discussion of the Kuantan initiative, see Justus Van der Kroef, "ASEAN, Hanoi and the Kampuchean Conflict. Between Kuantan and a Third Alternative", *Asian Survey* 2 (5 May 1981): 515-535.

¹⁵Parimal Kumar Das, *Indian Express*, 13 February 1988; see also "Indo-China, ASEAN and Thailand: The Changing Perspectives" since 1975 by the same author in *Problems of Non-Alignment* 2/3 (September-November 1984): 269-281.

¹¹*Bangkok Post*, 18 and 22 April 1980.

¹²*Indonesian Times* (Jakarta), 17 December 1979.

¹³*Asian Security* 1980 (Tokyo: Research Institute for Peace and Security, 1980), 152.

rejected the Kuantan principle. Moerdani's effort was to encourage the Vietnamese Foreign Minister to be more forthcoming. Such a breakthrough was necessary to coax the ASEAN to adopt a conciliatory approach. The outcome of the effort, however, was not made known. The Indonesian inability to bring about any diplomatic achievement became clear with Thach's subsequent visit to Jakarta.¹⁶

The Indonesian initiative suffered a setback when the Vietnamese troops mounted military incursion into the Thai territory in June 1980. The ASEAN Foreign Ministers Conference held in Kuala Lumpur from 25-26 June 1980, condemned Hanoi's action without accommodating the Kuantan spirit.¹⁷ In the circumstance, the Kuantan initiative proved abortive as the necessity of keeping the ASEAN unity took precedence in the Indonesian calculation.

In his 1980 Indonesian Independence Day speech, President Soeharto was critical of Hanoi. He emphasized Jakarta's support to Thailand and its fundamental commitment to the ASEAN solidarity. As for Kampuchea he insisted that, all foreign troops should be withdrawn from its territory, full respect be given to the Kampuchean people to choose their own government and determine their future in keeping with their own wishes.¹⁸

¹⁶R. Nations, "The Looming Split in the Five", *FEER*, 20 June 1980, 12.

¹⁷Joint Communique of the Thirteenth ASEAN Ministerial Meeting, Kuala Lumpur, 25-26 June 1980, no. 1, 71.

¹⁸Address of State by His Excellence the President of the Republic of Indonesia, Soeharto, before the House of Representatives on the Occasion of the 35th Independence Day, August 17th, Republic of Indonesia, 29.

Indonesia persisted in its effort and many officers with HANKAM, and especially then Lieutenant General in the Army Benny Moerdani continued to maintain enthusiasm for reconciliation with Hanoi and to bring peace to the region.¹⁹ Indonesia went along with the ASEAN in securing the UNGA approval to convene an international conference in early 1981 to secure total withdrawal of foreign troops from Kampuchea and to hold UN supervised elections there.²⁰

The ASEAN Foreign Ministers met in Manila from 17-18 June 1981 to prepare for the International Conference on Kampuchea (ICK). A draft proposal was prepared for submission to the ICK which endorsed that Vietnam might have "legitimate" security interest in Kampuchea.²¹ The effort to appease Hanoi encountered opposition from Beijing and indirectly from Washington, together with an apparent indecisive attitude of Thailand.

Jakarta embarked on another endeavour to give impetus to the Indochina statement when then Lieutenant General Moerdani made a second trip to Hanoi. This was followed by the dispatching of a senior DEPLU official DR. Fuad Hassan to Hanoi to seek ground for diplomatic compromise and flexibility.²²

In order to sustain a necessary consistency in pursuing its objective President Soehar-

¹⁹David Jenkins, "The Dangers of Dialogue", *FEER*, 29 August 1980, 10.

²⁰S.S. Bhattacharya, "ASEAN and the Kampuchean Issue", *Strategic Analysis* IV/8 (November 1980): 336.

²¹Joint Communique of the Fourteenth ASEAN Ministerial Meeting, Manila, 17-18 June 1981, no. 1, 80.

²²*Indonesian Times*, 15 December 1981.

to in a speech on 5 January 1982, reiterated, "We reject and we cannot accept the government of some country that is set up by and with the help of armed forces from outside, because that is against the principles of sovereignty and freedom of states".²³ Another distinctive Indonesian concern was that the Kampuchean problem was no longer a problem between groups of forces within that country or a confrontation between Kampuchea and Vietnam, but reflected great power rivalry in Southeast Asia. As such, if a solution was not within reach it would lead to direct involvement of big powers.²⁴

Indonesia conducted direct talks with Vietnam when Mr. Thach visited Jakarta in November 1982. Very little was produced, however, by way of concrete results in the talks between the two. While DR. Mochtar Kusumaatmadja insisted on a solution to the Kampuchean imbroglio within the framework of the UN and ICK resolutions, Mr. Thach for his part made no new allowance.²⁵

The ASEAN appeal on 21 September 1983 aimed at reconciliation in Indochina by a phased withdrawal of the Vietnamese troops from Kampuchea on a scheduled and territorial basis.²⁶ This was followed by a

²³Government Statement on the Draft State Budget for 1982-1983 to the House of Representatives. Delivered by the President of the Republic of Indonesia on 5 January 1982 (Jakarta: Department of Information, 1982), 26.

²⁴Juwono Soedarsono, "Security in Southeast Asia: The Circle of Conflict", in Robert A. Scalapino and Jusuf Wanandi, eds., *Economic, Political and Security Issues in Southeast Asia in the 1980s* (Berkeley: University of California, 1982): 82.

²⁵*Jakarta Post*, 23 November 1982.

²⁶Joint Appeal made by Five ASEAN Foreign Ministers, which was released in the Capital City of All Five ASEAN Countries, on 21 September 1983 (Ministry of Foreign Affairs), no. 1, 104.

special Foreign Ministers Meeting in Jakarta in November 1983, in Kuala Lumpur in December 1983, and again in Jakarta in January 1984.

The then Head of the Armed Forces General Benny Moerdani paid a three day official visit to Vietnam during 6-8 February 1984. The visit drew attention because of the remarks he made in Hanoi and subsequently repeated elsewhere that "Indonesia and the Armed Forces do not view Vietnam as a threat to Southeast Asia".²⁷ Foreign Minister Mochtar dispelled Indonesia's ASEAN partners fears, generated from this remark, by reaffirming Indonesia's adherence to the official ASEAN position.

The first Indonesia-Vietnam seminar was held in Hanoi to explore the possibilities of a meeting of minds. The position advanced by the Head of the Indonesian delegation, Mr. Jusuf Wanandi was in substantial congruence with Benny Moerdani's attitude.²⁸

The Vietnamese Foreign Minister Thach held discussions with President Soeharto when he visited Jakarta during 12-14 March 1984. Mr. Thach rejected the ASEAN appeal for Kampuchean Independence, in spite of President Soeharto's suggestion that it could be modified to allow room for the Vietnamese involvement. Jakarta felt let down by Thach's negative response and hopes of an early diplomatic accommodation eroded with the Vietnamese incursion into the Thai territory.

The informal meeting of the ASEAN Foreign Ministers held in Jakarta on 7-8

²⁷*Sinar Harapan*, 7 February 1984.

²⁸See for the text of the speech, Jusuf Wanandi, "Prospects and Peace Stability in Southeast Asia and for the solution of the conflict in Kampuchea", *Indonesian Quarterly* 12/2 (April 1984): 200-205.

May 1984, condemned the Vietnamese action.²⁹ In the Seventeenth ASEAN Ministerial Meeting held in Jakarta during 9-10 July 1984, President Soeharto emphasized the importance Indonesia attached to the ASEAN solidarity. In the joint communique of the meeting, the Foreign Ministers reiterated their call for a comprehensive political settlement in Kampuchea and affirmed the validity of the Appeal for the Kampuchean Independence of 21 September 1983, as a basis for a comprehensive political settlement in Kampuchea.³⁰ Indonesia did not step out of line with the ASEAN since the ASEAN cooperation was the main pillar of Indonesia's foreign policy to ensure regional stability which is a *sine quo non* for Indonesia's national development. At the same time it began to pursue bilateral talks with Vietnam in order to achieve a more realistic approach to a compromise over Kampuchea than consentaneously sanctioned in the ASEAN diplomacy. The Indonesian conviction was that a policy of confrontation would not yield results instead, an accommodating posture would be more rewarding. As an official interlocutor with Hanoi, Indonesia made an effort to make a dual track policy thereby striking a balance between seeking a conciliatory line with Hanoi and, at the same time, preserving the ASEAN unity.

With Vietnam mounting its largest dry season offensive, the ASEAN Foreign Ministers Meeting held on 11 February 1985, issued a joint call for the supply of arms and

material aid to the tripartite coalition of resistance forces.³¹ It generated some surprise owing to Indonesia's earlier opposition to the question of arms supply.

The second Indonesia-Vietnam Seminar which was held in Jakarta during 18-20 February 1985 was much more subdued than its forerunner the year before. The Indonesian speakers were also less sanguine about the prospects of an early solution to the stalemate.³²

In the two seminars held in each other's capital, the participants highlighted the common historical experience of both countries in opposing Chinese "expansionist" designs. They also asserted that both nations can shape the "basic and durable parameters of political, economic and security developments in our region", free from "undue involvement" by the major powers.³³ The Hanoi media emphasized that "encouraging results", of these Vietnamese contacts with Indonesia were contributing factors to a solution of all Southeast Asian regional issues.³⁴

Another initiative on Kampuchea was taken by Mochtar Kusumaatmadja when he arrived at Hanoi on 15 March 1985. Little was achieved in the discussions on Kampuchea. Mochtar introduced the possibility of improved relations between the USA and Vietnam which in turn could provide a new

³¹ Joint Statement by the ASEAN Foreign Ministers, Bangkok, 11 February 1985, no. 7, 111.

³² Jusuf Wanandi, "ZOPFAN and Kampuchean Conflict", *Indonesian Quarterly* 13/2 (April 1985): 206-207.

³³ Juwono Soedarsono, "Global Political Trends", *Indonesian Quarterly* 13/2 (April 1985): 175.

³⁴ *Nhan Dan* (Hanoi), 10 November 1985.

²⁹ The informal meeting of the ASEAN Foreign Ministers to discuss the Recent Political and Military Developments with regards to the Kampuchean Problems, Jakarta, 8 May 1984, no. 1, 121.

³⁰ Joint Communique of the Seventeenth ASEAN Ministerial Meeting, Jakarta, 9-10 July 1984, no. 1, 97.

dimension to assist the resolution to the Kampuchean issue. He proposed that Vietnam speed up the settlement of the issue of Americans Missing in Action (MIA).³⁵

As a part of the Indonesian policy to conclude the Indochina crisis, Indonesia had been encouraging Washington and Hanoi to normalise relations. Indonesia assumed that normalisation would facilitate the Kampuchean settlement by making Vietnam less obsessive about security and the US more realistic of the political future of Kampuchea. Besides, normalisation would pave the way for US economic assistance to Vietnam which would reduce Hanoi's dependence on Moscow.

Mochtar Kusumaatmadja discussed his proposal with the ASEAN counter-parts and also secured the approval of the Chinese Foreign Minister Wu Xuequian. He also consulted the State Department officials in Washington, thereby, embracing the role of a mediator.³⁶ Indonesia's efforts achieved some measure of success in the process of normalisation of relations between Washington and Hanoi when US Assistance Secretary of State, Paul Wolfowitz said in an interview, that solving the MIA issue would make it easier for the US to play a role in the Kampuchean settlement.³⁷ Shortly thereafter, Foreign Minister Nguyen Co Thach in a letter, pledged a full accounting of the missing soldiers and suggested a meeting with the US officials.³⁸

³⁵*Jakarta Post*, 19 March 1985.

³⁶Nayan Chanda, "Mochtar Takes a Hand", *FEER*, 13 June 1985, 32.

³⁷Rodney Taskar, "Stealing the Thunder", *FEER*, 18 June 1985, 14-15.

³⁸Rodney Tasker, "Doomed from the Start", *FEER*, 25 July 1985.

At the Second Bandung Conference, Mochtar Kusumaatmadja announced that the Soeharto Government had managed to win the Chinese support for the Indonesian bid to link normalisation of the US-Vietnamese relations with a resolution of the Kampuchean conflict.³⁹ Mochtar Kusumaatmadja in an attempt to alter the factors which make Vietnam intransigent, entertained the hope that Indonesia may help effect a rapprochement between Vietnam and China, during the Bandung Conference. But such hopes shattered when premier Pham Van Dong failed to attend the conference.⁴⁰

Concurrent with Mochtar Kusumaatmadja's activity, Benny Moerdani, preceding the Bandung Conference received the Vietnamese Defence Minister, General Van Tien Dung.⁴¹ ASEAN consternation was raised when he said, "Indonesia has never been an enemy of Vietnam, and Vietnam has never been an enemy of Indonesia". Once again Mochtar Kusumaatmadja was left with the task of explaining Moerdani's statements to the irate ASEAN partners, that "pro Hanoi", remarks had been exaggerated by the press.⁴²

Continuing the process of the Indonesian move on Kampuchea, Mochtar Kusumaatmadja's Hanoi visit was reciprocated by the Vietnamese counterpart Mr. Nguyen Co Thach. This visit was of great significance for Vietnam since it followed the Eleventh Indochina Foreign Ministers meeting in which Vietnam had announced its intention to withdraw its forces from Kampuchea by

³⁹*The Strait Times*, 30 May 1985.

⁴⁰Richard Nations, "Repeat Performance", *FEER*, 2 May 1985, 12.

⁴¹*Jakarta Post*, 12 April 1985.

⁴²*Kompas*, 13 April 1985.

1990.⁴³ The visit also lent weight to Indonesia's role as the ASEAN "interlocutor". In a statement to the Ministerial meeting of Non-Aligned countries in Luanda, 2-8 September 1985, Mochtar Kusumaatmadja said, that the Indonesian stand on the Kampuchean conflict was based on its concern for the restoration of fundamental rights and interests, the non-aligned status of the people of Kampuchea.⁴⁴

Given the intractable nature of the Kampuchean problem the New Order's independent and active (*bebas-aktif*) diplomacy has taken the initiative towards the accomplishment of a limited and achievable objective, which would contribute to the advancement of Indonesia's long term interest. Mochtar Kusumaatmadja's efforts reflects well upon the New Order projection of the Indonesian image. In an effort to put forward a formula which could provide a framework for regional negotiation, Mochtar Kusumaatmadja flew to Bangkok to hold talks with his Thai counterpart, Siddhi Savetsila. These discussions became known as the "Cocktail Party", proposal. Developed from an earlier suggestion by Prince Norodom Sihanouk, Mochtar Kusumaatmadja proposed for a forum in which the Coalition Government of Democratic Kampuchea (CGDK) members, representatives of Heng Samrin government and the Hanoi Government could deliberate about the conditions in Kampuchea.⁴⁵ He also put forward his "cocktail party", pro-

posal to his Vietnamese counterpart, on his visit to Hanoi.

At the informal meeting of the ASEAN Foreign Ministers in Bangkok, Thailand voiced its reservations about such a meeting because it feared, that the meeting would lend legitimacy and give the appearance of recognition for the Heng Samrin regime.⁴⁶ Both Thailand and Singapore wanted Vietnam to take part in the talks. But the understanding reached between Mochtar Kusumaatmadja and Nguyen Co Thach was that Vietnam might join in the talks with all the Khmer groups only after they arrive at some sort of national reconciliation.⁴⁷ Hanoi rejected the proposal since it mended the original proposal worked out between Mochtar Kusumaatmadja and Nguyen Co Thach.

Despite these hurdles, Indonesia sustained its efforts to arrange, the informal talks. Mochtar Kusumaatmadja flew to New York on 15 September 1987 to hold talks on the issue with the former Soviet Foreign Minister, Eduard Shevardnadze, and the Chinese Foreign Minister, Wu Xueqian, during the UN General Assembly session.⁴⁸ The Third ASEAN Summit, held in Manila during 14-16 December 1987, adopted a resolution on Kampuchea that the "ASEAN shall continue and intensify its efforts to finding a durable, comprehensive political solution to the Kampuchean problem in the interest of achieving peace and stability not only in Kampuchea but also for the region as a whole."⁴⁹ President Soeharto in his open-

⁴³Communique of the Eleventh Conference of the Foreign Ministers of Kampuchea, Laos and Vietnam, issued at Phnom Penh on 16 August 1985, no. 7, 188.

⁴⁴Statement by Mochtar Kusumaatmadja to the Ministerial Meeting of Non-Aligned Countries, Luanda, 2-8 September 1985 (Department of Foreign Affairs, Republic of Indonesia), 1985, 10.

⁴⁵FBIS (East Asia), 18 August 1985, A7.

⁴⁶*New Strait Times*, 30 April 1987.

⁴⁷*Bangkok Post*, 16 April 1987.

⁴⁸*Sydney Morning Herald*, 16 September 1987.

⁴⁹Manila Declaration 1987, *Indonesian Quarterly* XV11/1 (January 1989).

ing statement, pointed out, that the establishment of Nuclear Weapons Free Zone, "will be an important contribution to peace and security".⁵⁰ Indonesia perceived that an early solution of the issue was important to promote security in the region, since the Kampuchean conflict was an impediment to the realisation of the Zone of Peace, Freedom and Neutrality in Southeast Asia.⁵¹

Mochtar Kusumaatmadja persisted his round of diplomacy which included talks in North Korea with Prince Norodom Sihanouk.⁵² After the talks he deduced that Sihanouk was indispensable in any attempt to solve the Kampuchean enigma.⁶⁸

Indonesia welcomed the 2 December 1987 meeting in France between Sihanouk and Hun Sen since it was the first step taken by the two opposing sides to resolve the conflict. The talks had been successful in narrowing certain areas of divergence and in identifying common ground on some aspects of the problem. Eventually, these talks were stonewalled in mutual recrimination and failed to bring about a desired solution.⁵⁴

The then new Foreign Minister of Indonesia Ali Alatas attempted to promote a settlement of the issue and received the first major breakthrough when Jakarta played a

host to the Jakarta Informal Meeting (JIM I).⁵⁵ It set the precedent, thereby, which was to have profound consequences for realising peace in Kampuchea. The peace talks took a crucial turn when parties to the conflict met for the first time at Bogor, 21-25 July 1988. Minister of Foreign Affairs, Ali Alatas, who was instrumental for bringing the participants together, told reporters that all sides had presented their views and agreed on the overall goal of an independent, neutral Kampuchea although there were "wide divergence on how to reach that goal".⁵⁶ The final JIM press statement noted that "the participants recognised the complexities of the Kampuchean problems in its many dimensions and aspects and its ramifications which are both regional and international in scope. They, therefore, concurred on the need to have further discussions on issues on which there were still divergence of the views".⁵⁷ The JIM I could not attain anything substantive, but the fact that the four warring factions agreed to sit on the same table, set the momentum for the search for a viable solution. A working group was constituted to examine the various peace proposals. In a follow up meeting to continue the process of dialogue, Indonesia again brought together in February 1989, the warring factions along with the ASEAN member countries, to participate in the second round of the Jakarta Informal Meeting (JIM II).⁵⁸ In the meeting Soeharto urged the warring

⁵⁰Ibid., opening statement of President Soeharto at the meeting of the ASEAN Heads of Government, Manila, 14 December 1987.

⁵¹The Joint Communique of the Twenty First ASEAN Ministerial Meeting, Bangkok, 4-5 July 1988. Twenty First Ministerial Meeting and Post Ministerial Conference with the Dialogue Partners, Bangkok, 4-9 July 1988, Jakarta, Indonesia, 38.

⁵²*New Strait Times*, 27 June 1987.

⁵³*Sydney Morning Herald*, 8 August 1987.

⁵⁴*Manila Declaration*, no. 49, 13.

⁵⁵Year end Press Statement by Ali Alatas, Minister for Foreign Affairs of the Republic of Indonesia, 31 December 1988, Department of Foreign Affairs, Republic of Indonesia, 9.

⁵⁶Ibid.

⁵⁷For the full text see *Indonesian Times*, 28 July 1988.

⁵⁸*Bangkok Post*, 20 February 1989.

parties to narrow down their differences in order to bring peace to the war-torn country.⁵⁹ The JIM II ended without finding an answer and left it to the warring factions to work out a solution among themselves and report back to the Minister of Foreign Affairs, Ali Alatas.

Jakarta was the venue for the intra-Kampuchean talks held on 2-3 May 1989, between Prince Norodom Sihanouk and Mr. Hun Sen, and between the latter and Mr. Son San.⁶⁰ Indonesia believed that the progress and momentum so far engendered should be given further impetus and not be allowed to dissipate. It was in this context that Indonesia welcomed France's initiative to convene an International Conference on Kampuchea. Indonesia saw it as complementing the efforts undertaken by the ASEAN so far, and the JIM process.⁶¹ The Brunei ASEAN Meeting at Bandar Seri Begawan, held between 3-4 July 1989, formulated a common stand on Kampuchea based on the results of JIM I and JIM II. They also reaffirmed their support for CGDK.⁶²

The Paris talks failed to find a possible solution in spite of the last minute effort by Indonesia and France to arrive at an agreed formulation on the condemnation of genocide perpetrated by Pol Pot. Mr. Ali Alatas

served as the Co-Chairman of the Conference. Regardless of the immediate result Indonesia believed that good prospects for a solution existed.⁶³ Mr. Ali Alatas had also held meetings with the Kampuchean Prime Minister Hun Sen, Prince Norodom Sihanouk and the Indian Minister of State for External Affairs, Mr. Natwar Singh, prior to the Conference.⁶⁴

Indonesia and France became jointly engaged in exploring the possibility of fresh round of talks to pick up from the inconclusive talks in Paris. Indonesia was at first reluctant to be the venue for allowing the factions a platform from which to reiterate its well-known stand. But with the six months period set up by the Paris Conference almost up, the peace process was on the verge of extinction. Indonesia therefore agreed to host another meeting. Indonesia's initiative on Kampuchea was squarely in line with its approach to International Affairs, which requires that regional problems should be resolved by the states of given region, rather than involve external powers.

In the Jakarta Informal Meeting held between 26-28 February 1990 faint signs of compromise was evident. A more focussed discussion took place with the acceptance of the central idea of the UN involvement. When it came to putting it on paper the agreement evaporated. The stumbling bloc was the wording "genocide", over which Hun Sen and Khieu Samphan groups opposed each other. While there was an agreement on the involvement of the UN, there were differences on the level of involvement and modalities.⁶⁵

⁵⁹Ibid.

⁶⁰Year End Press Statement 1990 by the Minister for Foreign Affairs, delivered at a meeting with editors of the mass media on 3 January 1990 at *Gedung Carakaloka*, Department of Foreign Affairs, Republic of Indonesia, Jakarta, 10.

⁶¹Address delivered by the Minister of Foreign Affairs, Ali Alatas, before the Twenty Second ASEAN Ministerial Meeting in Bandar Seri Begawan, Brunei on 3 July 1989, in *Jakarta Post*, 10 July 1989.

⁶²*New Strait Times*, 5 July 1989.

⁶³*Indonesian Times*, 30 August 1989.

⁶⁴Ibid.

⁶⁵*Indonesian Times*, 6 March 1990.

The Jakarta Informal Meetings gave a meaning to the Indonesian effort in the search for a settlement of the problem. The progress achieved at these meetings seemed a vindication of Indonesia's determination to negotiate an agreement within the region. The normalisation of relations with China, burnished Indonesia's role as an impartial mediator on Kampuchea. It seemed to balance Indonesia's sympathies for Vietnam and also enabled Indonesia to involve the Khmer Rouge in an eventual agreement.

The confluence of the major powers' desire for a peaceful international environment augurs well with the ASEAN's effort to bring about a political solution to the Kampuchean problem. On the basis of the "Comprehensive Peace Plan" outlined by the 'P' Five which endorsed the Australian proposal, Indonesia agreed to hold another meeting. To the exasperation of the Indonesian mediators, the Kampuchean factions approached the meeting by waiting to see who would give in first to the power sharing issue. They released a joint statement committing themselves to accept a UN role in the administration of the country before settling their differences at the ballot box.⁶⁶

The protracted process of bringing peace to Kampuchea took another step in the 9-11 November 1990, Jakarta Meeting, called by Indonesia and France. It brought together the two Co-Chairman, with the representatives of the five permanent members of the UN Security Council and the delegates of seven other countries. They all agreed to the UN-administered Kampuchea until elections were held, as the core to any eventual settlement.⁶⁷ Subsequently, another meeting

held in Paris between the five permanent members of the UN Security Council, Indonesia, France and a representative of the UN, reached on a consensus about restoring peace in Kampuchea.⁶⁸

President Soeharto, in his speech on the occasion of the forty sixth Independence Day on 17 August 1991, welcomed the formation of the Supreme National Council and said that Indonesia together with the other ASEAN countries were pleased to have taken part in paving the way towards a settlement.⁶⁹

With the signing of the Kampuchean Treaty, the Indonesian initiative to seek a comprehensive, just solution to end the Kampuchean conflict seemed to have been rewarded. The Kampuchean problem on the one hand has helped to promote unity and solidarity of ASEAN, at the same time has constrained Indonesia to play an independent role towards a peaceful settlement of the conflict. In the face of challenge posed by Kampuchean problem to ASEAN regionalism, Indonesia has successfully carved out a policy to find out a solution to the problem, at the same time preserving the unity and solidarity of the organisation.⁷⁰ Indonesia's foreign policy objective has aimed also at ending the rivalry between the major

⁶⁸Michael Field and Michael Vatikiotis, "Jaw and Peace", *FEER*, 6 December 1990, 22.

⁶⁹Address of State by the President of the Republic of Indonesia, Soeharto, before the House of Representatives on the Occasion of the Forty Sixth Independence Day, 17 August 1991, delivered in Jakarta on 16 August 1991, Department of Information, Republic of Indonesia (n.d.), 9.

⁷⁰J. Soedjati Djiwandono, "The Kampuchean Conflict and the Future of ASEAN", *Indonesian Quarterly* XIII/4 (October 1985): 438-439.

⁶⁶*Indonesian Times*, 11 September 1990.

⁶⁷Michael Vatikiotis, "Measure of Success", *FEER*, 22 November 1990, 20.

powers in the region. Its official role as an interlocuter enabled it to play a dual track diplomacy in untying the Kampuchean knot. Indonesia had therefore played a meaningful role as a Co-Chairman of the Conference, as the ASEAN interlocuter and as the initiator

of the negotiating process at the regional level to bring about the settlement of the conflict. In the final analysis, genuine peace in Kampuchea will depend largely on the political will and capability of the Kampuchians themselves.

The Diversity of Cultures in Irian Jaya*

Parsudi Suparlan

Introduction

THE people of Irian Jaya comprise many ethnic groups, each with its own distinctive culture. Thus, it is incorrect to talk about the Irianese or the culture of Irian since there is no single culture or ethnic group. What can be discussed is Irian Jaya as an administrative unit, a province of the Republic of Indonesia. Living within this province of Irian Jaya are the people of Irian, who at one level can be defined as Indonesians, at another level as people of Irian and at a more basic and fundamental level as members of their specific ethnic group or tribe or clan. Thus the people of Irian, along with other Indonesians, simultaneously have identities as Indonesian citizens, as provincial residents and as members of their own ethnic group or tribe;

with each identity relevant at different times for different levels of interaction.

The people of Irian Jaya are ethnic groups, some of which might properly be called tribes as they have few members, maintain intensive relationships among members, are tied to one another through kinship networks which can be traced back to one ancestor, and are economically and technologically underdeveloped. For centuries these groups lived in isolation, due mainly to environmental conditions and underdeveloped technology, so that there was little or no cultural contact either with other ethnic groups in Irian Jaya or with outside societies having more developed cultures. The exposure of ethnic groups in Irian Jaya to contact with outside cultures took place unevenly, with some groups in the Jayawijaya mountains only making their first contacts with outside cultures during the 1960s.

*This article is revised from his paper presented at symposium "The Dynamic of the Irian: The Transformation of Asmat Culture", Washington, D.C., 14 June 1991.

A survey carried out by a team from Cendrawasih University (1991) has identified forty-four ethnic groups in Irian Jaya, each

with its own community and culture. These forty-four groups are further sub-divided into a total of one hundred and seventy-seven sub-groups or tribes. These are preliminary figures and it is likely that further study would result in a much higher number. This is particularly likely given that the criteria used by the Cendrawasih team to define ethnic groups were unclear and because of the reports by local people of groups living in the jungle isolated from contact with the outside world.

This article attempts to give a picture of both the diversity and the basic similarities which characterise the nature of the cultures of Irian Jaya; and to outline the factors which give rise to these cultural forms.

Cultural Diversity

As Held (1951, 1953) and van Baal (1954) reported approximately forty years ago, and as remains true today, the most striking characteristic of the people of Irian remains the diversity of cultures. These two anthropologists concluded that underlying the cultural diversity of Irian there are characteristics which indicate cultural similarities. The diversity and the similarities were seen as a challenge for anthropological research and other applied studies for the purposes of the Dutch colonial administration in Irian Jaya at that time. This was due mainly to the fact that there remained a great number of isolated groups about which nothing was known of their cultures. The writings of these Dutch anthropologists, colonial administrators (most of whom were anthropologists), ministers and priests, foreign anthropologists and researchers in other fields related directly or indirectly to anthropolo-

gy, as well as of Indonesian researchers, were documented in a bibliography compiled by van Baal, Galis and Koentjaraningrat (1984).

Cultural differences among the people of Irian Jaya can be seen in daily life, in their languages and communications systems, economic life and technology, religious life and means of artistic expression, political structure, social structure and kinship systems. Differences are mainly a result of ecological or environmental factors, where each member of a society must adapt in order to survive, and in this process, their culture, which is used as a tool for adaptation, also undergoes adaptation to the local environment.

Walker and Mansoben (1990a), for example, divide Irian cultures into three types based on appropriate development strategies for Irian Jaya, i.e.: (1) swamps, coasts and many rivers, and lowland shore areas; (2) foothills and small valleys; and (3) highlands. This classification is useful mainly for classifying sources of livelihood of local populations according to their cultural type. However, other elements of culture have not been accounted for in the Walker and Mansoben classification system. Thus, what they have done can be called a classification of sources of livelihood based on ecological environment.

Reducing the culture types of the peoples of Irian to types of livelihood is actually detrimental to their development, for source of livelihood is not an activity which stands alone, but is related to and supported by social organisation in implementation (family, kinship group, religious beliefs, ownership of land and trees, power structure and defence, and other aspects of life). The same

problem arises with a grouping based on the area of coastal ecology (type 1 above), for such a classification is a reduction of the diversity found within this category. Perhaps the best way to make this diversity comprehensible is to observe in greater detail the types of local environments and their impact on the types of cultures found in these areas, and by using other related indicators in addition to means of livelihood.

For the sake of completeness it might be useful to examine the cultures of the coastal people, i.e.: (1) north coast area; (2) the islands of Biak, Namfor, Yapen, Waigeo, and other smaller islands; (3) south coast area, which is muddy and tidal and has extreme differences between the rainy and dry seasons; (4) the area around Frederik Hendrik Island, which is muddy. Next should be the inland areas; i.e.: (1) rivers and swampy areas; (2) lakes and their environs; and (3) foothills and small valleys. Finally, the third category would remain the same as the Walker and Mansoben classification, i.e. highlands areas.

If we observe the people of the north coast, it can be seen that they live in villages of 10 to 200 people, in individual houses grouped among close relatives, in lineages (kin groups based on patrilineal descent from an ancestor whose origin can be traced), live in houses built on stilts at the edge or above the water, live by fishing, growing taro, yams and dry field crops and pounding sago. Meanwhile the islands of Biak-Numfor, with chalky and infertile soil, have cultures which focus more on sailing for both trade and fishing; possibly this maritime orientation is a result of culture contact with the kingdom of Tidore. Other island populations behave in ways similar though not exactly the same as those of

Biak-Numfor. The south coast area which is tidal and muddy with extreme differences between the dry and wet seasons supports people living on raised houses built on tall stilts, with villages above the water and boardwalks connecting houses. These people make their living by gathering sago, fishing and collecting shellfish (Asmat and Mimika). The Marind Anim people, who have arable land, also hunt and cultivate the land. On Frederik Hendrik Island, which is so muddy as to be suited only for habitation for crabs and millions of mosquitoes, live thousands of people who farm root crops, with fields built of layers of mud. They build houses shaped like beehives, tightly enclosed and mosquito-free (Schoorl, 1953).

Peoples of the rivers and swamps, such as the Bauzi and Iau (Briley 1982, and Bateman 1982), who live around the Mamberamo River, live by fishing, hunting and gathering forest products. They have no need to farm, with abundant food available in the river, sago growing in the swamps and wild boar, fruit and root crops available from the jungle. People living on lake shores, such as the Sentani in Jayapura, tend to live on sago and to fish in the lake, in addition to farming of root and vegetable crops. The Anggi and Teminabuan have similar patterns, while the Ekari, who live near Wissel Lake in the western highlands of the Jayawijaya mountains have a lifestyle which more closely resembles that of the highland people.

Ethnic groups in the foothills and narrow valleys live as described by Walker and Mansoben, i.e. by hunting, shifting cultivation and fishing in nearby rivers. All of these groups live in small communities and are small in number overall compared to the highlands people of the Baliem Valley in the Jayawijaya range. The Jayawijaya highlands

have relatively fertile soil because of its abundant humus. Soil fertility is maintained for a relatively long period, over approximately three years of cultivation, because of a simple irrigation system where ditches are dug and the soil extracted is used to make mounds for the planting of yams and other crops.

This method of farming is used by nearly all the people of the highlands, including the Ekari in the west near Lake Wissel, the Amungme, Dani, Mek, Ketengban and Ngalum. This form of cultivation enables them to live relatively permanently in one place, at least three years, making raising families easier. In addition to farming they raise pigs, their main livestock animal, and hunt.

In addition to a variety of ways of making a living, there is also variety in social structure, kinship systems and religious life. In general ethnic groups in Irian Jaya live in patrilineal kinship systems, but there are variations in that groups have developed bilateral trends (the Sarmi and people on the east coast of Sarmi), some are ambilineal or ambilateral, with the line of descent alternating depending on the amount of bride-price paid (Mimika, Mappi, Manikion), some tend towards the mother's line of descent (Mimika) and some to the father (Manikion), while some are truly patrilineal (Muju, Jafi). Some groups recognise moieties (a society divided into two large clans in opposition to but dependent on each other), some have several large clans or fratries, and some recognise none of these divisions.

Some ethnic groups have cultures which require marriage only among certain clans, while others allow marriage with any other clan. There are even groups which encourage their members to marry with as many clans

as possible in order to strengthen social, political and economic relations among them. Marriage generally entails the payment of a bride -- price by the man's family to the woman's family. Some groups allow the bride-price to be owed, and there are some who hope that the debt will never be paid in order to maintain control over the married couple and so the children of the marriage will recognise the control of the mother's side of the family. There are also, however, groups in which the woman lives with her clan and her children become members of the mother's clan if the bride-price is not paid. Some groups prefer marriage between offspring of cross cousins. Marriage is generally monogamous, but some groups allow polygyny, a man having more than one wife, if the first wife agrees and the man can afford the bride-price. For other groups, particularly in the Jayawijaya highlands, polygyny is the desired state. In monogamous societies the wife is a co-worker and plays an important economic role, as well as being the link with the woman's clan when cooperation on activities is required. In polygynous marriages women are not only intermediaries with the clans of women but also provide for the family welfare by caring for gardens and tending pigs, which are symbols of status and wealth.

Religious life is far more diverse and complex. Simply put, religion is a male specialty. Females are barred from involvement, as there is a cultural concept of women being polluted or impure at certain times, i.e. during menstruation and childbirth, which could endanger the welfare of society. Many taboos have evolved for women during these periods of impurity and they vary from one ethnic group to another.

Traditionally each clan, tribe, fraternity or

moiety is related to a specific mythological ancestor figure. Some communities pay scant attention to this figure while others, such as the Marind Anim, have developed this ancestor worship into a series of large-scale ceremonies and depict the mythical figures as totemic symbols. The Asmat also depict their mythical figures in wood carvings and even the dead are represented in statue form as a central part of funeral ceremonies and in preparations for revenge. This is also found among the Mimika.

Traditionally the Asmat were known for their headhunting and cannibalism and the ceremonies related to these activities. Wars between villages were thus not uncommon in the past. The development of cannibalism was a major cause of the Asmat living in large groups in their villages. Only in this way could they effectively respond to enemy attacks. It is probable that this high level of population density in a village with people who are gatherers should be considered a salient characteristic of Asmat culture. Generally high population density must be supported by an economic level which provides sufficient surplus. In other Irian communities fear of enemy attacks resulted in the building of walled groups of houses (e.g. the Dani), or on high poles or even in trees, as the Kurowai do according to recent reports by the Indonesian mass media.

Mythical figures or totems of a clan or tribe are considered to be the protectors and preservers of welfare for that clan. In the traditional life of some ethnic groups in Irian Jaya such as the Waropen, as described by Held, and among the groups of the Bird's Head region, there is a mythical figure resembling Hermes, the Greek trickster god. Other groups, such as the Biak-Numfor, Ekari and surrounding groups, Muju

Marind Anim, Awju, Mimika, Wandamen, Nimboren and on the islands of Raja Ampat, particularly on Batanta Island, consider that these mythical figures bring goods or cargo from the sky. These beliefs became the basis for the growth of cargo cults, which were messianic or nativistic movements which included elements of anti-white (or foreign) feeling, as white people were considered to have stolen their cargo and because of the concept of a saviour or messiah which truly stimulated anti-Dutch (white) sentiments.

Meanwhile, religious development of the people of the highlands around the Jayawijaya range was traditionally related to the culture of war. As for the Asmat, for these groups religious and artistic activities were related to war and preparations for it or to overcoming post-war problems. The life of men in the highlands, for example, the Dani; centred on war and religious activities in the form of ceremonial dances and songs. The ancestors which have become mythical figures are important but are not totemic figures such as those which developed among the Mimika and Asmat. On the north coast in inland areas (Sarmi, Nimboren, Sentani) mythical figures are represented as symbols and decorations on drums and flutes.

One significant characteristic of traditional religious life among the people of Irian Jaya is the concept of magic and sorcery and the various ceremonies connected with it. Related to magic the concept of *suanggi* (similar to the concept of *leyak* in Bali), a greatly-feared spirit or ghost, is dominant. Numerous and varied ceremonies and religious activities have been developed and carried out by the people of Irian Jaya to prevent or deflect *suanggi*. Similarly,

numerous forms of white magic grew up among different ethnic groups, not only for preventing *suanggi* and other evil spirits but also for improving crop fertility and increasing success in hunting or fishing.

Another dominant feature among the diversity of cultures in Irian Jaya is the leadership pattern developed by each group. Mansoben and Walker (1990b), for example, list several types: *ondowafi*, *raja*, 'big man' in trade and in war, a leadership type combining a number of the other types, and, finally, the 'elder' pattern of leadership.

Mansoben and Walker, as noted above, state that the *ondowafi* leadership type is found among the people of Sentani, Nimboren, Tanah Merah, Arso, Waris and around the Jos Sudarso Gulf. Characteristics of this pattern include inheritance by the eldest son of the position of *ondowafi* or head of the main clan or landlord clan. The power of the *ondowafi* extends to matters of religious ceremonies, war and economics (exchange and trade of beads, stone axes and clan rights to land and sago trees).

Rajas are found among the people of the Raja Ampat islands, Fakfak and Kaimana. The concept of king is an adoption of the concept of sultan found in Tidore, Ternate and Jailole in the North Moluccas, which once controlled the area in trade and politics. Characteristics include complete power of the king over his subjects. Subjects are clan and community or village members, as with the *ondowafi*, except that under the *ondowafi* system the people have freedom to refuse or avoid the power of the *ondowafi*, while this is not so under the system of king and subjects.

According to Mansoben and Walker, the

Big Man-Trade type of leadership is found among the Ayamaru (Maybrat), Muju and Ekari. In my observation and that of Revassy (1988) the *ondowafi* among the Sentani also are the Big Man-Trade type. Because of the greatness of such an *ondowafi*, other *ondowafi* submit to him because of his manipulative ability in the trade of beads and fine stone axes. Characteristics of this type of Big Man-Trade are that one can have many followers and debt-slaves because of his ability to manipulate valuable objects available locally. In the Bird's Head area (Maybrat, Karon, etc.) Timor cloth is valuable and has magic and sacred power, is used for paying bride-prices and in life cycle and religious rituals. Among the Ekari pigs are valuable and for the Muju the most valuable objects are pigs and shells.

The Big Man-War type of leader is found among the Dani and the Asmat. The Big Man figure must be able to demonstrate his bravery and prowess at war, as well as to be good at speechmaking and strategy; and, particularly among the Asmat, to be generally clever and sly. Meanwhile, among the Dani, manipulative capability is required in the exchange and trade of valuable goods as well as visible personal economic success.

Thus the wealth of a Big Man is an important requirement in his position as a leader. Wealth is in the form of pigs, and because the raising of pigs requires the care of women, an indicator of wealth is also the number of wives a man has. An example of mixed leadership as Mansoben and Walker describe it is found among the Biak-Numfor. Their system is a cross between the *ondowafi* and Big Man, or only the Big Man with war accomplishments. An example of the 'elder' type of leadership is found among the Ekari.

General and Fundamental Similarities

Although there is a diversity of cultures among the peoples of Irian Jaya, there are some general characteristics which reflect basic and fundamental similarities. Held (1951: 53) stated that the culture of the people of Irian Jaya is 'loose'. This loose structure is a result of the role of the Irianese as cultural improvisers, who take elements of various outside cultures and make them a part of their own without worrying about how to carefully integrate them with existing elements of culture into a unified whole. Van Baal (1951-52: 382) supports Held's conclusion and adds that the main cultural characteristic of Irian is the lack of strong integration of the culture. According to these two, particularly Held, the characteristic of easily accepting and adapting elements of outside culture, i.e. more advanced or more suitable cultures, is due to the low technology of the cultures of Irian in the face of a harsh natural environment.

Low levels of technology in a harsh environment, man's source of livelihood, allow only limited exploitation of natural resources and inhospitable living conditions. Most of Irian Jaya is covered by primary rain forest, swamps and mud, rivers, land which would be good for shifting cultivation but because of its slope would erode, land which is poor because it is rocky and full of malarial mosquitoes and *agas*; all of which combine to hinder the development of the economy, health and social welfare in general. Although there are no official figures on the infant death rate, experience in conducting research in a number of regions in Irian Jaya and field reports from researchers indicate that the rate is high. Causes of death are

generally endemic malaria, pneumonia, dysentery and malnutrition resulting from the habit of feeding infants unsuitable food.

A low level of technology also means that in traditional life no surplus food is produced. The lack of surplus food stimulates the breakup of existing groups into smaller groups, making survival easier. Environmental conditions and lack of technology support only shifting agricultural activities using slash and burn techniques. This life-style is suited for small groups which can move from place to place more easily than larger groups. Conversely, the pattern of small groups living by moving from place to place as a result of their system of agriculture is unable to ensure food surpluses. Therefore, there can be little guarantee of stability, for group members die, move away to seek other opportunities or due to conflicts arising as a result of difficulties in fulfilling their own primary needs. In nomadic or semi-nomadic lifestyles, ties based on kinship or genealogy become extremely important. With no stable place of residence, residence as a reference point for self-identification in social interaction is irrelevant.

Life in a small group, in some cases consisting of only two families living in their fields, gives rise to a pattern of daily life with intensive interaction among members of the groups. The most important group is the nuclear family, which is the centre of nearly all social, economic and religious activity. The borders of membership in a clan become blurred in actual daily life. Thus the characteristics of a patrilineal kinship system become blurred with the bilateral characteristics resulting from close relationships among siblings. The importance of age among siblings becomes greater as older siblings must often protect younger ones, influencing the

appearance of the bilateral pattern.

Relations among group members on a day-to-day basis within the small group results in a pattern of interaction fraught with emotions and feelings. Such relations give rise to strong feelings of solidarity and thus produce an attitude of differentiation between one's group and the outside world. Personal and deep relationships among group members means that each must be treated as an independent individual. Because of this a variety of personalities can grow and develop, and a number of patterns of interaction among individuals can arise depending on the context. It is these variations in personalities and patterns of interaction which support the view of the people of Irian as adaptive and improvisational and which sees them as lacking discipline in routine work activities.

Daily life with the same people at close range and with frequent interaction gives rise to feelings and emotions which require methods of preventing friction. One way is the principle of reciprocity in exchanges. What is given can be goods, services, money or products. This principle is so important that if one party forgets it others will not only remind but even demand reciprocity. In extreme cases a father will demand payment for what he has already given his son and vice versa; something which appears to be an action based on principles of business.

The importance of valuable goods, particularly rare objects or those which can be immediately used and enjoyed in the life of the peoples of Irian Jaya is expressed in terms of personal as well as communal rights of ownership. Rights to manage clan land are given to the clan head, particularly land traditionally worked and reforested over

generations by a clan. Thus there is actually no individual land ownership. In cases where land is bought by the government or a legal entity, the person with the legal right to sell is the clan head, as he is responsible for land management. However, the clan head does not have the power to authorise the sale on his own. What occurs is that each clan member has the right to determine the status of the land. In 1965, when I, as a member of a team to prepare for transmigration in Irian, negotiated land matters concerning transmigration sites, we discovered that although nearly every village member had already agreed to give up a particular piece of land for a transmigration site, the following day villagers returned to ask for clarification and to state their disapproval. Those who disapproved were those who had not been present the previous day because they had been in the jungle or in their fields. Only after each village member had agreed one by one could the team obtain a guarantee of the legality of the granting of the land.

Perhaps the cause of this case was the fact that every person knew each other and acting on behalf of people not present is an unacceptable practice as it infringes on their rights and their honor. Infractions of the code of ethics or individual honor can occur as a result of intensive daily interaction from life in small groups. For the sake of group harmony and in order not to be seen as worthless in the eyes of one's peers, there is a tendency to suppress feelings of anger. However, the pressure of such emotions builds up to one day explode in an anger-filled conflict. Often torture or even murder of a kin occurs as a result of a very minor incident by local standards. Once a conflict is out in the open the only solution is avoidance by leaving the group to live alone or to join another

small group. This process of breaking away from small groups is a normal part of life among the people of Irian and is found in their mythology as well.

Because life in small groups means that all interaction is based on personal relations, formal political organisation is superficial. As with the earlier example concerning transmigration, in formal terms villagers agreed to grant a piece of land for transmigrants, but because there were people who had not signed and did not agree, the others reversed themselves and disagreed as well. The success of any formal program is only possible if it is informally supported by all people concerned. This is a major and salient characteristic, based on the principle of insider-outsider, which gave rise to negative and suspicious attitudes towards anything from outside, particularly anything formal which is not a part of their existing cultural concepts.

Another notable characteristic is that a child is not only the responsibility of its parents, but also of other kin and concerned members of society. This responsibility includes overseeing a child's safety, education, socialisation and enculturation. Thus, from the time they are small children, they are used to a communal environment of people they know well and of close relatives. Cultural transmission from one generation to the next and cohesion of cultural values in society can be expressed. This is one factor in the preservation of cultural patterns among small ethnic groups and communities as found in Irian. In other words, in addition to factors of technology and environment there is the factor of the mechanism of small group life itself which gives rise to similarities among the cultures of Irian Jaya.

Contact with Outside Cultures

Although prior to World War II Irian Jaya was an area isolated from world trade routes, several areas, particularly in western parts of Irian Jaya, did have trade contacts. The main elements of outside culture at that time were from the Dutch colonial government. The Dutch government introduced a number of forms of culture contact which helped change the cultures of Irian Jaya. Of these the most important in stimulating cultural change were education, economics and the spread of religion under various Catholic and Protestant missionary organisations. Although the Dutch colonial government in Irian Jaya also engaged in a number of other activities which directly or indirectly contributed to improving the welfare of the people, the most impact was made by the religious, educational and economic activities.

In a relatively short time the people of Irian who had been animistic and/or totemistic, became Christians. Official changes in their religious beliefs did not mean that all those who were officially Catholic or Protestant gave up their traditional beliefs. A majority continued their native religious rituals, particularly those important for social welfare on a practical level. It is possible that the patterns of their religious life were in accordance to Held's view of the people of Irian as improvisors of culture. Therefore, in their cargo cult ceremonies participants who were Protestant or Catholic did not consider their participation in the worship of ancestors to be a sin.

Along with dissemination of religion both Protestant and Catholic churches were involved in education. Beginning with teaching reading and writing for the purpose

of reading the Bible, activities expanded to basic education in villages and then to formal school education. The formal school system had the greatest impact, for children not only attended school but were separated from their parents and relatives, as well as from their local cultures, and lived at boarding schools. It is these children who, after finishing their education, adopted some patterns of life and culture of their local groups to fit the cultural patterns learned during years of boarding school.

Activities of the boarding school graduates did not always result in cultural change among their clans. Changes were commonly limited to or began with changes in religious beliefs. These religious beliefs may not have been due to a true 'calling' but stem from other motives, notably economic ones, as presented by Hayward (1983) in his analysis of the motivations of the Lani to become Christian. The church as the visible infrastructure for religion promised a relatively wealthy lifestyle to the eyes of the people of Irian. This wealth was interpreted as the result of the interaction of the church with God, the provider. Therefore, it followed that association with the church would ensure that one could partake of the wealth. One must become a devout Christian in order to have a relationship with God as the source of wealth. In this context it is not difficult to understand the problem of people who are already Christian also participating in the cargo cult movement.

The church did not serve only the religious and educational life but also provided a variety of skills training and aided in mother and child nutrition and health activities. The Dutch government also provided educational and social welfare activities, so that a situation developed where

children had to attend school, and attending school was not detrimental, for all those with an education had a better life than those who did not go to school; particularly the Dutch. The Dutch government in Irian was for the purpose of the colonial administrators. Social welfare activities for the people of Irian are a part of the responsibilities as laid out by the United Nations as well as being a part of efforts to obtain skilled workers at the middle and lower levels.

On close examination it can be seen that towns built in Irian Jaya at that time were actually designed for the Dutch and Dutch culture. There is a striking contrast between towns with their abundant facilities and the rural areas which lack even the most basic amenities. It is not surprising that during Dutch times the towns exerted an appeal which drew rural people to them. New-comers lives in slums on the outskirts of towns, while the villages they left behind were inhabited only by old people and children. Also during the Dutch period, another group of colonists, the Indos (mixed Indonesian-Dutch), came to farm, become involved in industry and trade. They lived mainly around Manokwari (Koops 1960, Suparlan 1990).

These Indo-Dutch colonists came not to improve the standard of living of the local people, but to live in their own milieu with their Dutch culture, as the Dutch did when they were in power in Indonesia (van Eechoud, 1952: 246-346). Because these colonists were not really farmers, they hired local Irian people to work. The culture contact taking place between the local population and the colonists, concerning concepts of technology and its uses and concepts of a market economy, played a role in changing the economic patterns and technology of the

local people.

Economic change from a subsistence to a market economy was limited to the major towns and their surroundings during the Dutch colonial period. Outside the towns, in the interior, the local populations continued to live as they always had, with a subsistence economy. This differed from the situation at present, where Irian Jaya is an integral part of the Republic of Indonesia.

The market economy and the circulation of money has now entered even the most distant parts of Irian Jaya. During the 1960s, when I was working in Irian Jaya, people in both villages and small towns (such as Demta, for example) and even in Jayapura, knew only that the price of the vegetables they sold was *kwarce* (or one coin, worth about 25 cents). Now, however, in the interior in the Baliem Valley the Dani value their goods to get the price they desire.

Cultural change is taking place rapidly in Irian Jaya at the present time, as seen by: the emergence of an Indonesian identity as a part of their identity, lives no longer limited only to one small group in one place, improved economic life and social welfare oriented to the market economy compared to the colonial period, increased variety and complexity of cultures in Irian Jaya and the rise of various forms of assimilation and acculturation resulting from the introduction of transmigrants from Java and from local transmigrants living in areas outside their own local groups, and the rise of upper classes based on education and economic ability in the cities and towns of Irian Jaya and which clearly divides them from other layers of society with lower positions living mainly in rural areas.

Changes in culture as are occurring in

Irian Jaya are resulting in diversity on the one hand and unity with Indonesia on the other. This is evident in the administrative activities of the Indonesian government in Irian Jaya, which bases its development programs on the same frame of reference as for other provinces in Indonesia, with some special additional funds. Education programs in Irian Jaya differ from those of the Dutch government in the past, with children in Irian able to reach the highest levels of education if they are capable of handling the study. Religious activities of churches also differ from the past, being oriented to Indonesia. Churches are involved not only in religious -- but also in church -- related social welfare activities. Physical development by the government of Indonesia includes roads, which has opened up some of the isolated areas to the outside world.

Communication with the outside world by transportation and communication channels has affected isolated and remote groups most directly in the form of the introduction of a market economy. The market economy run by the activities of traders from South and Southeast Sulawesi has, on the one hand, fulfilled primary needs (food, clothing, medicine and other goods) and, on the other, raised awareness of the market value of local products (forest and river products, handicrafts and arts) as economic commodities.

Not all people of Irian Jaya have the same intensity or quality of contact with the outside world. Some have intensive relations with the outside, such as the people living around towns, especially Jayapura; but others have little or no cultural contact with the outside, making the levels of diversity more complex.

Among the major influences on certain local cultures from outside via the market economy is tourism. Handicrafts and art objects which initially had no value have become valuable market items. The making of these items is no longer stimulated by artistic feelings but by market demand. On the other hand, the demand for these arts and handicrafts have reminded people of their cultural identity and of their identity as supporters of their culture. This is a positive impact which supports the national motto of *Bhinneka Tunggal Ika* (Unity in Diversity). It provides a balance against the homogenisation of becoming Indonesian or becoming Christian, and completes the Indonesianness or member of a religious group, for there is not one Indonesian who has not been born and raised as a member of an ethnic group or category.

Conclusion

In closing perhaps it can be said that the diversity of cultures in Irian Jaya at present is undergoing a process which is enriching the lives and cultures of the people. If during the Dutch colonial period local communities

were small scale and closed to the outside, at present changes are making them more open to contacts with the outside world. The characteristic of being cultural improvisers has facilitated this process. Openness to the outside world through government development activities and the development of a market economy have resulted in processes of change in the direction of the emergence of one Irian culture with the characteristics of *Bhinneka Tunggal Ika* which supports and enriches the *Ika* (one)-ness of Indonesia. The backbone of these processes is the emergence of an upper and middle class in Irian Jaya.

The upper and middle classes cut across ethnic lines, regions and religions. This results in conditioning of ethnic groups to be looser and enables greater openness in inter-ethnic relations. Problems which remain to be faced in the future in the process of becoming *Bhinneka Tunggal Ika* is the relations between the upper class with the middle and lower classes; or in other words, the dynamics between relations of the leaders at the top at the national and provincial level with the middle and lower classes in the villages and rural areas of Irian Jaya.

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Book Review

Indonesia's Defence Policy in the Eyes of a Foreigner

Bob Lowry, *Indonesian Defence Policy and the Indonesian Armed Forces*, Canberra: The Australian National University, Strategic and Defence Studies Centre, Research School of Pacific Studies, 1993, 144 pp. Reviewed by Abriyanto, Research Staff of *Forum Dialog Perdamaian* (Peace Dialogue Forum) for the Defence Security and Disarmament Commission.

THE profile of the Indonesian Armed Forces (ABRI), has increasingly become the focus of quite a few circles for the purpose of research, either within or without the country. This state of affairs due to the "journey of dedication" made by ABRI in Their Homeland brought one mission, which -- one may say -- is unique, namely the dual function mission, defence-security and socio-political forces.

It is also such a background, which among others has motivated Bob Lowry -- former Defence Attache of the Australian

Embassy to Indonesia in the mid-1980s -- to write about the policies adopted by ABRI.

He also analyses in detail all dimensional forces within ABRI, plus an evaluation. In short, this book does specifically highlight the growth of ABRI's strength. However, as pointed out by the writer in the introduction, the emphasis of his discussion is placed on the existing defence policy and national strategy, which is related to external threats.

Talking about external threats, they are inseparable from Indonesia's foreign policy. And the writer does in great outlines touch upon Indonesia's foreign policy in the first section of his book.

ASEAN, for example, has become the cornerstone of Indonesia's foreign policy. Indonesia's national defence system is indeed based on regional resilience of its surroundings.

No wonder Indonesia is often referred to as the "opinion leader" in the ASEAN forum (aside from the seniority factor of

President Soeharto who has the longest tenure at the helm among Southeast Asian leaders). As a consequence Indonesia's leadership in settling a dispute (bilaterally or multilaterally) in Southeast Asia is frequently expected.

Aside from that, with countries in the backyard of Indonesia (South Pacific in general and Australia in particular), Indonesia has to established friendly relations too. The border issue between Irian Jaya and Papua New Guinea and the integration of East Timor, for example, have been to date actual issues. In dealing with those issues, Indonesia's diplomacy at the international forum has always faced serious challenges. Those issues have also implicated ABRI's credibility.

As elaborated earlier, although this book places an emphasis on analyses in the field of defence and on Indonesia's external threats, in the following sections the writer does not focus his discussion on those issues.

India, Japan and China, are indeed mentioned by the writer as posing threats to Indonesia. India's presence, in terms of its Navy, which frequently crosses the Straits of Lombok, Sunda and Malacca when it is heading its course to the Indian Ocean. Further, the Andaman and Nicobar islands (lying in the vicinity of Sumatra) which have now become the bases of submarines carrying missiles, also pose a threat to the Indonesian waters.

To Indonesia, China's perception on Southeast Asia is still a "traditional threat", which is always trying to develop its sphere of influence there. And Japan is related to its economic "hegemony". As for this "economic hegemony", many relate it to the emergence of Japanese military force in the

future as was the case during World War II.

Apparently, the elaboration on external threats as mentioned above, is not "a novelty", particularly to observers of Indonesia's defence and foreign policy. Since it is true that issues on external threats are seldom adopted on the surface by either the mass media, observers of politico-defence matters or government officials.

The writer of this book is precisely short of highlighting external threats to Indonesia coming from its closest surrounding. For example, Malaysia, which for the last two years has been disputing with Indonesia concerning the existence of the Sipadan and Ligitan islands. The "crisis" concerning the two islands, to the apprehension of many, may become a serious problem. Because, the *status quo* of the two islands agreed upon by Malaysia has been violated by that country, by making it an object of tourism and guarding the islands by its armed forces. Other border issues between Malaysia and Indonesia still exist, such as, for example, at Tanjung Datu, Batu Aum, Semitau, Sungai Sinapad, Sungai Semantipal, Nanga Badau, and Gunung Raya.

Other border issues with its closest neighbouring countries are still to be faced by Indonesia. For example, with Singapore (at Horsburgh Rock), with the "owner" of the Spratlys and Amboyna Cay concerning the continental shelf, with Vietnam (continental shelf), with the Philippines (Miangas Island), and the like.

The writer seems to be more interested in observing the posture and dynamics of ABRI's strength and policy. His criticism on the weakness of the marine (Navy) and air (Air Force) dimensions, is in fact not un-

grounded. Indonesia is a country comprising thousands of (large and small) islands and is surrounded by the sea. Hence, one of the means to control over the vast territory is to enhance the defence system of the Navy and Air Force.

Another criticism by the writer is the national defence system, the so-called total people's defence policy or *Sishankamrata* (*sistem pertahanan-keamanan rakyat semesta*). He thinks that model will eventually give pressure to the "territorial mission" of each dimension to mobilise "active cooperation" of society. However, in reality, the "total people's defence policy" is short of orientation towards facing external threats. Conversely, what has happened is an inward looking security approach.

Unfortunately, the writer does not elaborate further, why this could happen? In fact, differing opinions among military officials concerning "total people's defence policy" have often been heard. Some hold that in the future that model will no longer be relevant in this changing world. Some others argue that it is still relevant.

Those who say that it is still relevant argue that ABRI originates from the people and is dedicated to the people. Accordingly, "total people's defence policy" is a manifestation of the unity of ABRI and the people.

Not only that. Those who are advocates of the model of "total people's defence policy, also warn that the model constitutes ABRI's main capital that it has gained since Independence War in the past. Hence, the model is and always will be relevant.

However, ironically, it is exactly such a defence model that has often experienced conflicts. It means that ABRI which is often

referred to as being "united" with the people, frequently has to face communication difficulties in settling various problems.

The writer of this book does often highlight domestic security. It stands to reason in view of so many cases that were "to the detriment of society" (the incidents at Tanjung Priok, Lampung, Aceh, Irian Jaya, East Timor, Sampang and the like), and accidentally related to the role played by ABRI.

The role of ABRI within the country itself, has consequently been highlighted by many circles. It is not infrequently that foreign countries also "put pressure" on the extreme involvement of ABRI in dealing with a case.

In view of the phenomenon mentioned above, no wonder that in the conclusion of this book, the writer does not observe any external threat against Indonesia. The writer also says that Indonesia's defence budget, since 1980 until now, has not experienced any significant increase. This is due to the national defence policy which is more orientated towards control over the internal security and the regime itself. Perhaps the budget will change after a succession of leadership (President).

Indonesia's defence budget may be considered as "being treated like a stepchild", compared with the economic development sector. However, one must keep in mind that development of the international economic environment has also greatly affected the ups and downs of the defence budget.

This book seems interesting as reference for political/military observers in Indonesia. It is hoped that Indonesian writers will also be encouraged to reveal national defence strategy, as response to some flaws of this book.

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